

June 5, 2017

To All Shareholders

1-3-5, Oji-cho, Fukuyama, Hiroshima

Aoyama Trading Co., Ltd.

President and Representative Director Osamu Aoyama

Notice of the Convocation of the 53rd Ordinary General Meeting of Shareholders

Dear Shareholders:

We would like to take this opportunity to express our gratitude to all of our stakeholders for their patronage. Please be advised that the 53rd Ordinary General Meeting of Shareholders of the Company will be held as described below and you are cordially requested to be present at this meeting.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. Please review the Reference Documents for General Meeting of Shareholders provided in a later section, and exercise your voting rights no later than Wednesday, June 28, 2017, 6:30 p.m. in accordance with the guidance presented in a later section.

Description

1. **Date** June 29 (Thursday), 2017, at 10:00 a.m.
2. **Place** Meeting Room, 4th floor, Headquarters
Aoyama Trading Co., Ltd., 1-3-5, Oji-cho, Fukuyama, Hiroshima
(Please refer to the simplified map at the end of this document)
3. **Objects of the meeting**
 1. Report on the business report for the 53rd term (from April 1, 2016 to March 31, 2017), the contents of the consolidated financial statements, and the results of audit of the consolidated financial statements by the account auditors and the Board of Corporate Auditors
 2. Report on the contents of the financial statements for the 53rd fiscal year (from April 1, 2016 to March 31, 2017)

Matters to be resolved

- | | |
|----------------|------------------------------------|
| Proposal No. 1 | Appropriation of Retained Earnings |
| Proposal No. 2 | Election of 7 Directors |
| Proposal No. 3 | Election of 1 Corporate Auditor |

4. Guidance on exercise of voting rights

(1) Exercising voting rights in writing

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and have it delivered to reach the Company no later than Wednesday, June 28, 2017, 6:30 p.m.

(2) Exercising voting rights via the Internet

To exercise your voting rights via the Internet, please read the “Guidance on exercise of voting rights via the Internet” on Page 3 through Page 4 and exercise those rights no later than Wednesday, June 28, 2017, 6:30 p.m.

(3) If you exercise your voting rights both in writing and via the Internet, the latter will be treated as being valid. If you exercise your voting rights via the Internet more than once, or both via personal computer and mobile phone, the latest vote will be treated as being valid.

End.

- ~~~~~
- ⊙ When attending the meeting, please present the enclosed voting form to the receptionists at the meeting.
 - ⊙ Please note that if it becomes necessary to amend any matters related to the contents stated in the reference documents for the Ordinary General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Financial Statements, it will be presented on the Company’s website at:
<http://www.aoyama-syouji.co.jp>

[Guidance on exercise of voting rights via the Internet]

If you intend to exercise your voting rights via the Internet, please consent to the followings in advance of doing so.

1. Website for exercising voting rights

You may exercise your voting rights only through the following voting rights exercise website designated by the Company.

Address of voting rights exercise website: <http://www.web54.net>

* This voting rights exercise website can be accessed using a bar code reading function-equipped mobile phone to read the QR Code® shown to the right.

For details of the usage method, please refer to the instruction manual of your mobile phone.

(QR Code is a registered trademark of Denso Wave Incorporated.)



2. Procedure for exercising voting rights

- (1) When exercising your voting rights via the Internet, please use the “Voting Rights Exercise Code” and “Password,” displayed on the Voting Rights Exercise Form enclosed, before voting for or against the proposals, in accordance with the guidance shown on the screen page.
- (2) The deadline for exercising voting rights is Wednesday, June 28, 2017, so you are kindly asked to exercise your voting rights at the earliest opportunity.
- (3) If you exercise your voting rights both in writing and via the Internet, the latter will be treated as being valid. If you exercise your voting rights via the Internet more than once, or both via personal computer and mobile phone, the latest vote will be treated as being valid.
- (4) Internet provider and telecom carrier fees (connection charge etc.) incurred for using the voting rights exercise website are borne by the shareholder.

3. Handling password and voting rights exercise code

- (1) Your password is important information with which to verify the identity of a voting shareholder, so please handle the password with care just as you would your official seal and personal identification number.
- (2) Your password is disabled if it is used erroneously more than a certain number of times. If you wish to be re-issued with a password, please follow the procedure described in the guidance shown on the screen page.
- (3) The voting rights exercise code shown on the Voting Rights Exercise Form is valid only for the General Meeting of Shareholders in question.

4. Contact point for inquiries on how to use your PC and other devices

- (1) If you have any questions or doubts about the operation of your PC or mobile phone to exercise voting rights via the voting rights exercise website, please contact the following for assistance:

Hotline for Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited:

Telephone: 0120-652-031 (operating hours: 9:00 a.m. to 9:00 p.m., Japan Standard Time)

- (2) For any other inquiries, please contact the following for assistance:

A. Shareholder who has an account with a securities company:

Please contact the securities company with which you hold the account.

B. Shareholder who does not have an account with a securities company (shareholder with a special account)

Stock Transfer Agency Business Center, Sumitomo Mitsui Trust Bank, Limited

Telephone: 0120-782-031 (Operating hours: 9:00 a.m. to 5 p.m., Japan Standard Time, except for weekends and holidays)

5. Using the voting rights exercise platform (for institutional investors)

For this planned General Meeting of Shareholders, institutional investors may exercise their voting rights via the Internet using the Online Proxy Voting Platform operated by ICJ Incorporated.

Business Report

(From April 1, 2016
To March 31, 2017)

1. Matters concerning the situation of the Corporate Group

(1) Developments and results of business activities

During the consolidated fiscal year, Japan's economy continued on a gradual recovery path, shown by a pickup in employment and income environment, backed by economic and financial measures taken by the government. However, the situation remained unclear due to a slowdown of Chinese and other emerging economies as well as increasing uncertainty in overseas economies in the wake of Brexit and the U.S. presidential election

Under such circumstances, our Group implemented various measures to reinforce the profitability and competitiveness of Business wear business, and also enhanced the management base of the Group as well as its profitability.

(Unit: millions of yen)

| | Net sales | Operating income | Ordinary income | Profit attributable to owners of the parent |
|-------------------------|-----------|------------------|-----------------|---|
| Year ended March 2017 | 252,777 | 20,210 | 21,084 | 11,568 |
| Year ended March 2016 | 240,224 | 21,336 | 21,639 | 11,869 |
| Change year on year (%) | 105.2 | 94.7 | 97.4 | 97.5 |

<Performance by business>

(Unit: millions of yen)

| | Net sales | | | | Segment income (Operating income) | | | |
|-------------------------------|---|--|--------------------------------|-------------------------|---|--|--------------------------------|-------------------------|
| | The 53 rd fiscal year (The current fiscal year) From April 1, 2016 to March 31, 2017 | The 52 nd fiscal year (The previous fiscal year) From April 1, 2015 to March 31, 2016 | Amount of increase or decrease | Change year on year (%) | The 53 rd fiscal year (The current fiscal year) From April 1, 2016 to March 31, 2017 | The 52 nd fiscal year (The previous fiscal year) From April 1, 2015 to March 31, 2016 | Amount of increase or decrease | Change year on year (%) |
| Business wear business | 188,426 | 187,931 | 495 | 100.3 | 19,464 | 19,523 | -58 | 99.7 |
| Casual wear business | 16,684 | 17,315 | -630 | 96.4 | -1,556 | -26 | -1,529 | — |
| Credit card business | 4,554 | 4,109 | 444 | 110.8 | 1,329 | 958 | 371 | 138.8 |
| Printing and media business | 11,430 | 11,696 | -266 | 97.7 | 279 | 162 | 117 | 171.9 |
| Sundry sales business | 15,822 | 15,460 | 362 | 102.3 | 602 | 541 | 61 | 111.3 |
| Total repair business service | 11,815 | 2,875 | 8,939 | 410.8 | 163 | 73 | 89 | 221.7 |
| Others | 7,754 | 4,666 | 3,087 | 166.2 | -79 | 81 | -161 | — |
| Adjustments | -3,710 | -3,830 | 120 | — | 6 | 22 | -16 | 29.1 |
| Total | 252,777 | 240,224 | 12,552 | 105.2 | 20,210 | 21,336 | -1,125 | 94.7 |

(Notes) 1. Amounts are rounded down to the nearest million yen.

2. The mark “-” indicates loss or decrease.

3. Amounts under “adjustments” indicate transactions within the Group.

4. Net sales by segment and segment income (operating income) are figures before elimination of inter-segment transactions.

Net sales were 252,777 million yen, an increase of 12,552 million yen compared with the previous consolidated fiscal year.

This was mainly because of the inclusion of sales by Minit Asia Pacific Co., Ltd., which became our wholly-owned subsidiary in December 16, 2015 etc.

Gross profit was 140,419 million yen, an increase of 4,311 million yen compared to the previous consolidated fiscal year.

Same as reason of net sales, this was mainly because of the inclusion of sales by Minit Asia Pacific Co., Ltd., which became our wholly-owned subsidiary in December 16, 2015 etc.

Operating income was 20,210 million yen, a decrease of 1,125 million yen compared with the previous consolidated fiscal year.

This was mainly because the operating income of the casual wear business decreased by 1,529 million yen compared with the previous consolidated fiscal year.

Ordinary income was 21,084 million yen, a decrease of 555 million yen compared to the previous consolidated fiscal year.

This was mainly because our Group recorded a loss on the valuation of derivatives of 268 million yen (gain on valuation of derivatives was 712 million yen for the previous fiscal year) in relation to “Comprehensive Long-Term Foreign Exchange Contracts (coupon swap contract)”, as non-operating expenses.

Regarding extraordinary income and loss, our Group recorded a loss on sales and retirement of non-current assets of 493 million yen and an impairment loss of 1,390 million yen as an extraordinary loss.

For these reasons, profit attributable to owners of parent for the current fiscal year stood at 11,568 million yen, a decrease of 301 million yen compared to the previous consolidated fiscal year.

(2) Situation by business

<Business wear business >

[Business wear business of Aoyama Trading Co., Ltd., Blue Rivers Co., Ltd., MDS Co., Ltd., Eisho Co., Ltd. and FUKURYO Co., Ltd.]

Net sales of the business were 188,426 million yen (100.3% of that of the previous year) and segment income (operating income) was 19,464 million yen (99.7% of that of the previous year).

Regarding the Business wear business of Aoyama Trading Co., Ltd., which is our core business, we opened 18 stores of “Yofuku-no-Aoyama” (include 7 relocated stores), 3 stores of “The Suit Company”, and as new brands, 6 stores of “White The Suit Company” and 2 stores of “Universal Language Measure’s” as aggressively opening stores.

Among our existing stores, “Yofuku-no-Aoyama” carried out the “Aoyama-sai” campaign in celebration of the Aoyama Group reaching a new milestone as the number of its stores topped 1,600. It continued to feature “EXILE TRIBE” in advertisements promoting the functionality of our suits, etc. in an effort to tap into new customers. Sales of womenswear remained healthy as we bolstered the product lineup of work suits and formal wear for middle-aged customers. Accordingly, sales from existing stores were 99.1% of the previous year.

<Number of stores opened and closed and stores at the end of the year of the business wear business by each business format (As of the end of March 2017)>

(Unit: store(s))

| Name of business format | Yofuku-no-Aoyama | NEXT BLUE | The Suit Company | Universal Language | Blue Grigio | Universal Language MEASURE'S | White The Suit Company | Total |
|---|------------------|-----------|------------------|--------------------|-------------|------------------------------|------------------------|--------|
| Stores opened [Of which, relocated] (From April to March) | 18 [7] | 0 | 3 | 0 | 0 | 2 | 6 | 29 [7] |
| Stores closed (From April to March) | 4 | 0 | 1 | 1 | 1 | 0 | 0 | 7 |
| Number of stores at the end of the year (At the end of March) | 805 | 8 | 49 | 14 | 1 | 4 | 8 | 889 |

- (Notes) 1. The number of stores of “The Suit Company” includes that of “TSC SPA OUTLET,” while the number of stores of “Universal Language” includes that of “UL OUTLET.”
2. 2 stores of “Blue Grigio” changed its brand to “Universal Language” on February 2017.

<Casual wear business> [Casual wear business of Aoyama Trading Co., Ltd. and Eagle Retailing Corporation]

In the Casual wear business, Eagle Retailing Corporation, the core business, opened 6 new stores of “American Eagle Outfitters”. However, due to decreasing of number of customers caused by yen’s depreciation, and disposing of excess inventory, net sales were 16,684 million yen (96.4% of that of the previous year) and segment loss (operating loss) was 1,556 million yen (in the previous year, segment loss (operating loss) was 26million yen).

Stores opened and closed as described below.

<Number of stores opened and closed and stores at the end of the year of the casual wear business by each business format (As of the end of March 2017)>

(Unit: store(s))

| Name of business format | Casual wear business of Aoyama Trading Co., Ltd. | | Eagle Retailing Corporation |
|---|--|--------------|-----------------------------|
| | CALAJA | LEVY'S STORE | American Eagle Outfitters |
| Stores opened (From April to March) | 0 | 3 | 6 |
| Stores closed (From April to March) | 4 | 0 | 0 |
| Number of stores at the end of the year (At the end of March) | 9 | 9 | 34 |

(Note) The figures for “American Eagle Outfitters” include the number of outlet stores.

<Credit card business> [Aoyama Capital Co., Ltd.]

We are developing this business for the main purpose of supporting efficient sales promotions in the business wear business. We expanded the financial service business with a focus on increasing “AOYAMA Card” memberships, and the number of effective members as of the end of February 2017 came to 4.07 million persons (an increase of 80,000 members compared with the previous fiscal year).

In the Credit card business, due to an increase in shopping revenue, net sales were 4,554 million yen (110.8% of the previous year) and segment income (operating income) was 1,329 million yen (138.8% of the previous year).

Funds were acquired through loans from the parent company, Aoyama Trading Co., Ltd., and through the issuance of corporate bonds.

<Printing and media business> [ASCON Co., Ltd.]

In the printing and advertisement industries, the management environment continues to be severe with intensifying competition for the acquisition of orders, etc.

In the Printing and media business, while net sales totaled 11,430 million yen (97.7% of the previous year) due to a decrease in the number of orders from existing business counterparts, segment income (operating income) was 279 million yen (171.9% of the previous year) with decline of raw material prices, such as the price of printing paper.

<Sundry sales Business> [Seigo Co., Ltd.]

In the 100-yen shop industry, competitors are aggressively opening stores and competition in the industry is further intensifying.

In 100-yen shops, which we are expanding under the name of “Daiso & Aoyama 100 Yen Plaza”, we took such measures as utilizing some of the closed stores of “Yofuku-no-Aoyama” and “CALAJA” and opening such stores side by side with “Yofuku-no-Aoyama”, aiming to obtain synergy effects.

In the Sundry sales business, net sales were 15,822 million yen (102.3% of the previous year) and segment income (operating income) was 602 million yen (111.3% of the previous year) due to an increase in the line of expensive products (150~500 yen).

Regarding stores, the number of stores at the end of February 2017 was 117 (119 stores at the end of the previous year).

<Total repair service business> [Minit Asia Pacific Co., Ltd.]

Since Minit Asia Pacific Co., Ltd. became our affiliated company at December 16, 2015, Total repair service segment has been added in reporting segment.

In the Total repair service business, net sales were 11,815 million yen (410.8% of the previous year) and segment income (operating income) include amortization of goodwill was 163 million yen (221.7% of the previous year).

Stores opened and closed as described below.

<Number of stores opened and closed and stores at the end of the year of the Total repair service business by each business format (As of the end of March 2017)>

(Unit: store)

| Name of business format | Mister Minit | | | |
|--|--------------|---------|--------|-------|
| | Japan | Oceania | Others | Total |
| Stores opened (From April to March) | 23 | 14 | 8 | 45 |
| Stores closed (From April to March) | 17 | 5 | 2 | 24 |
| Number of stores at the end of the year (At the end of March) | 299 | 267 | 32 | 598 |

(Note) Oceania includes Australia and Newzealand, and Others includes Singapore and Malaysia and China.

<Others> [Reuse business of Aoyama Trading Co., Ltd., glob Co., Ltd. and WTW Corporation]

On April 1, 2016 Aoyama Trading acquired all shares in WTW Corporation, an operator of sundry and interior decor shops, from BALS Corporation and made it a wholly-owned subsidiary.

BALS, which operates the “Francfranc” brand of sundry and interior decor shops, launched the WTW brand in February 2011, operating five WTW sundry and interior decor shops under the concept of “urban, surf, and natural.” We will work to expand the operations of WTW Corporation by combining its strong brand power and merchandising capability in the area of sundry and interior decor retail with our store development capability and apparel retail know-how as we aim to boost the bottom line of the Aoyama Trading Group.

In other business, as described above, since WTW Corporation became our affiliated company, and opened 3 new stores of “Yakiniku king” and 7 new stores of “Yuzu An” that glob Co., Ltd. operates franchise stores, net sales were 7,754 million yen (166.2% of that of the

previous year). In other hand, because of amortization of WTW Corporation's goodwill, and increase of store opening expenses for glob Co., Ltd., segment loss (operating loss) was 79 million yen (in the previous year, it was 81 million yen as segment income (operating income)). Stores opened and closed are as described below.

<Number of stores opened and closed and stores at the end of the year of other business
by business format (As of the end of March 2017)>
(unit : stores)

| Name of business format | Reuse business of Aoyama Trading Co., Ltd. | | glob Co., Ltd. | | WTW Corporation | |
|---|--|--------------|----------------|--------|-----------------|--------------|
| | 2nd STREET | JUMBLE STORE | Yakiniku King | Yuzuan | WTW | WTW SURFCLUB |
| Stores opened (From April to March) | 2 | 0 | 3 | 7 | 0 | 0 |
| Stores closed (From April to March) | 1 | 0 | 0 | 0 | 0 | 0 |
| Number of stores at the end of the year (At the end of March) | 10 | 2 | 24 | 9 | 4 | 1 |

(3) State of capital investment

The total amount of capital investments in major businesses during the current consolidated fiscal year came to 13,018 million yen.

The total amount of capital investments in the business wear business was 8,388 million yen, which was mainly for investments made in line with the opening of new stores and relocation of existing stores, etc.

The total amount of capital investments in the casual wear retail business came to 1,059 million yen, which was mainly for the opening of new stores of American Eagle Outfitters.

The total amount of capital investments in the credit card business was 108 million yen, which was mainly for investments made in systems related to credit card operations.

The total amount of capital investments in the printing and media business was 200 million yen, which was mainly for the expansion of production systems.

The total amount of capital investments in the sundry sales business was 169 million yen, which was mainly for repairing existing stores, etc.

The total amount of capital investments in the total repair service business was 825 million yen, which was mainly for Mister Minit's new store openings etc.

The total amount of capital investments in other businesses came to 2,269 million yen, which was mainly for the opening of new stores of 2nd STREET, Yakiniku King, and Yuzuan.

Stores newly open, relocated, etc. during the current consolidated fiscal year were as described below.

[1] <The Business wear business>

<<Stores newly opened>>

| Area | Number of stores | Name of store |
|---------------|------------------|--|
| Kanto region | 13 | Benibanawalk Okegawa store, Itoyokado Nagareyama store, Kashiwa Modi store (TSC), Yaesu Chikagai store (WHITE TSC), Ginza Namikidori store (UL MEASURE'S), Akihabara Denkigaiguchi store, Marunouchi store (WHITE TSC), Ario Kitasuna store, Lalaport Shonanhiratsuka store (TSC), Apita Totsuka store, Itoyokado Fujisawa store, Grandtree Musashikosugi store (WHITE TSC), Itoyokado Kaminagaya store, |
| Chubu region | 3 | Kanazawamotomachi store, Numazu Ricohdori store, Fujiedakoishikawa store |
| Kinki region | 5 | Lucua-ire store (UL MEASURE'S), Abeno store, Kuzuha Mall store (WHITE TSC), Crysta Nagahori (WHITE TSC), Kuzuha Mall store (TSC) |
| Kyushu region | 1 | Vioro Fukuoka store (WHITE TSC) |
| Total | 22 | - |

<<Stores relocated>>

| Area | Number of stores | Name of store |
|---------------|------------------|---|
| Kanto region | 3 | Mitokasahara store, Itoyokado Hikifune store, Itoyokado Yokohamabesho store |
| Chubu region | 1 | Lakewalk Okaya store |
| Kinki region | 2 | Shinyao store, Kobegakuenminami Inter store |
| Kyushu region | 1 | Shinnobeoka store |
| Total | 7 | - |

<<Stores closed>>

| Area | Number of stores | Name of store |
|--------------|------------------|--|
| Kanto region | 4 | Itoyokado Takenozuka store, Adachi iriya store, Lalaport Yokohama store (BG), Queen's East Yokohama store (UL) |
| Chubu region | 2 | Sunstreet Hamakita store, Nagoyanishi store |
| Kinki region | 1 | Shinsaibashi store (TSC) |
| Total | 7 | - |

<<Stores changed businesses>>

| Area | Number of stores | Name of store |
|--------------|------------------|---|
| Kanto region | 2 | Tama Plaza Terrace store (BG to UL), Land Mark Plaza store (BG to UL) |
| Total | 2 | - |

(Notes) 1. Stores having no parentheses after the names are “Yofuku-no-Aoyama” stores.

2. Name of business format

NB : Next Blue

TSC : The Suit Company

UL : Universal Language

BG : Blue Grigio

UL MEASURE'S: Universal Language Measure's

WHITE TSC : White The Suit Company

[2] <Casual wear business>

<<Stores newly opened>>

| Area | Number of stores | Name of store |
|----------------|------------------|--|
| Kanto region | 2 | Lalaport Shonanhiratsuka store, Yokohama Joynus store |
| Chubu region | 1 | Aeon mall Nagakute store |
| Kinki region | 4 | Aeon mall Kyotokatsuragawa store (Levi's store), Abeno Qsmall store, Aeon mall Sakaikitahanada store (Levi's store), Aeon Kobekita store |
| Chugoku region | 2 | Aeon mall Hiroshimafuchu store (Levi's store), Aeon mall Hiroshimafuchu store |
| Total | 9 | - |

<<Stores closed>>

| Area | Number of stores | Name of store |
|----------------|------------------|---|
| Kinki region | 3 | Yao store (CALAJA), Neyagawa store (CALAJA), Himejithori store (CALAJA) |
| Shikoku region | 1 | Tokushimakamoshima store (CALAJA) |
| Total | 4 | - |

(Note) Stores having no parentheses after the names are “American Eagle Outfitters” stores.

[3] <Sundry sales business>

<<Stores closed>>

| Area | Number of stores | Name of store |
|---------------|------------------|------------------------|
| Chubu region | 1 | Kanazawaarimatsu store |
| Kyusyu region | 1 | Kumamotokumanan store |
| Total | 2 | - |

[4] Total repair service business

| Area | Mister Minit | | | | | |
|---------|-----------------------|-------------------------|-----------|------------------|-------------------------|-----------|
| | < New stores opened > | | | <Stores closed> | | |
| | Number of stores | | | Number of stores | | |
| | Total | Directly-managed stores | FC stores | Total | Directly-managed stores | FC stores |
| Japan | 23 | 23 | 0 | 17 | 7 | 10 |
| Oceania | 14 | 3 | 11 | 5 | 3 | 2 |
| Others | 8 | 4 | 4 | 2 | 2 | 0 |
| Total | 45 | 30 | 15 | 24 | 12 | 12 |

(Notes) 1. Oceania includes Australia and Newzealand, and Others includes Singapore and Malaysia and China.

2. The names of stores are omitted.

3. There are 24 stores in total which changed from directly-managed stores to FC stores (22 stores in Oceania, 2 stores in Others).

[5] <Others>

<<Stores newly opened>>

| Area | Reuse business | | Restaurant business | | WTW | |
|-----------------|------------------|---------------------------------|---------------------|---|------------------|---------------|
| | Number of stores | Name of store | Number of stores | Name of store | Number of stores | Name of store |
| Hokkaido region | | | 1 | Asahikawanagaya-ma store (Yakiniku King) | | |
| Kanto region | | | 2 | Takasakimidoricho (Yuzuan), Kasagake store (Yakiniku King) | | |
| Chubu region | 1 | Shimosuwa store (2nd STREET) | 7 | Niigatabentenbashi store (Yakiniku King) Nagaoka store (Yuzuan) Toyamaizumi store (Yuzuan) Kanazawaarimatsu store (Yuzuan) Matsumotomurai store (Yuzuan) Mishima store (Yuzuan) Komaki store (Yuzuan) | | |
| Kyushu region | 1 | Iizukahonami store (2nd STREET) | | | | |
| Total | 2 | - | 10 | - | 0 | - |

<<Stores closed>>

| Area | Reuse business | | Restaurant business | | WTW | |
|--------------|------------------|--------------------------|---------------------|---------------|------------------|---------------|
| | Number of stores | Name of store | Number of stores | Name of store | Number of stores | Name of store |
| Chubu region | 1 | Kofu Bypass (2nd STREET) | | | | |
| Total | 1 | | 0 | - | 0 | - |

(4) State of procurement of funds

No corresponding item existed.

(5) Status of Business segment transfers, absorption-type splits, and incorporation-type splits

No corresponding item existed.

(6) Status of business segments transferred from other companies

No corresponding item existed.

(7) State of succession of rights and obligations in relation to business of other corporations, etc. as a result of absorption-type mergers or splits

No corresponding item existed.

(8) Status of acquisition or disposal of other company's shares, interests or share subscription rights

On April 1, 2016 Aoyama Trading Co., Ltd. acquired all shares in WTW Corporation, an operator of sundry and interior decor shops, from BALS Corporation and made it a wholly-owned subsidiary.

(9) Issues to be addressed

On a mid- to long-term basis, the environment surrounding the Group is expected to continue to be difficult due to the shrinking suit market caused by a declining birth rate, as well as expected increases in production costs, etc.

Under such circumstances, for the Group to survive the fierce competition and to realize sustainable growth, we recognize that it is necessary to ensure the stable growth of existing businesses, as well as the expansion of our business domains and with this recognition we newly formulated our medium-term management plan, "CHALLENGE 2017," which will be implemented through fiscal 2017. We are currently promoting various measures to achieve its targets.

Under the plan, the Group will aim for the stable growth of the business wear business, our core business, through the expansion of sales of womenswear, etc., and to expand its business domains proactively into the restaurant business, overseas businesses and new businesses by taking advantage of our strengths developed over 50 years (sales capabilities, store development capabilities, goods procurement capabilities, commitment to quality and customer base). By doing so, we will build a stable business portfolio and become a corporation capable of making contributions to society based on sustainable growth.

Also, we will directly engage all stakeholders and ensure appropriate cooperation with them on a face to face basis to enhance our corporate value further through advancing our governance system, establishing a compliance system, rebuilding human resources strategies, and expanding CSR activities, etc., in line with the enforcement of the revised Company Law and the start of application of the corporate governance code.

Although the business environment is expected to continue to change in the future as well, we intend to create a new growth track by accurately and constantly identifying current needs and by taking advantage of the Aoyama Group's strengths in sales and related fields of business wear, including women's wear, etc. By doing so, we intend to continue contributing to our customers, shareholders, business counterparties, employees, and local communities.

We do appreciate our shareholders' further understanding and support.

(10) Financial position and results of operations

[1] Financial position and results of operations of the Corporate Group (Unit: millions of yen)

| By fiscal year Classification | 50 th term (Fiscal year ended March 2014) | 51 st term (Fiscal year ended March 2015) | 52 nd term (Fiscal year ended March 2016) | 53 rd term (The current consolidated fiscal year) (Fiscal year ended March 2017) |
|--|--|--|--|--|
| Net sales | 222,139 | 221,712 | 240,224 | 252,777 |
| Operating income | 22,590 | 19,028 | 21,336 | 20,210 |
| Ordinary income | 24,650 | 21,683 | 21,639 | 21,084 |
| Profit attributable to owners of parent | 12,962 | 12,807 | 11,869 | 11,568 |
| Net income per share | 214 yen 75 sen | 221 yen 55 sen | 218 yen 6 sen | 220 yen 6 sen |
| Total assets | 352,733 | 350,752 | 399,651 | 391,369 |
| Net assets | 244,231 | 238,069 | 236,723 | 233,666 |

(Notes) 1. Amounts are rounded down to the nearest million yen.

2. Net sales per share is calculated based on the average number of shares during the term.

50th term

Our Corporate Group posted higher sales and income for 3 consecutive fiscal years mainly due to measures implemented commemorating the 50th anniversary of the Company.

51st term

Because of a backlash from the rush of demand before the consumption tax hike, sales and profit decreased.

52nd term (the current consolidated fiscal year)

Since Minit Asia Pacific Co., Ltd. became our wholly-owned subsidiary etc., we hit higher sales. However, since we recorded a gain on the valuation of derivatives and gain on sales of investment securities in previous fiscal year, sales profit decreased.

53rd term (the current consolidated fiscal year)

The performance for the 53rd term is as described in “(1) Developments and results of business activities of 1. Matters concerning the situation of the Corporate Group.”

[2] Financial position and results of operations of the Company

(Unit: millions of yen)

| By fiscal year Classification | 50 th term (Fiscal year ended March 2014) | 51 st term (Fiscal year ended March 2015) | 52 nd term (Fiscal year ended March 2016) | 53 rd term (The current fiscal year) (Fiscal year ended March 2017) |
|----------------------------------|--|--|--|--|
| Net sales | 185,709 | 181,480 | 189,700 | 189,650 |
| Operating income | 21,063 | 17,101 | 19,196 | 18,711 |
| Ordinary income | 23,613 | 20,089 | 20,087 | 19,798 |
| Net income | 13,781 | 12,249 | 11,513 | 8,665 |
| Net income per share | 228 yen 32 sen | 211 yen 89 sen | 211 yen 52 sen | 164 yen 84 sen |
| Total assets | 304,565 | 298,037 | 338,739 | 327,589 |
| Net assets | 234,752 | 227,524 | 226,512 | 220,502 |

(Notes) 1. Amounts are rounded down to the nearest million yen.

2. Net sales per share are calculated based on average number of shares during the term.

(11) Principal Parent Company and Subsidiaries (As of March 31, 2017)

- [1] Relationships with the parent company
No corresponding item existed.

- [2] State of principal subsidiaries

(Unit: millions of yen, %)

| Name of company | Capital | Investment ratio of the Company | Major business descriptions |
|--|-----------------------|---------------------------------|---|
| Aoyama Capital Co., Ltd. | 5,000 | 100.0 | Credit card business |
| MDS Co., Ltd. | 50 | 100.0 | Planning and procurement of displays |
| Eisho Co., Ltd. | 40 | 100.0 | Planning and procurement of sales supplies, etc. |
| glob Co., Ltd. | 10 | 100.0 | Development of restaurant businesses |
| FUKURYO Co., Ltd. | 303 | 100.0 | Production of suits, etc. |
| Minit Asia Pacific Co., Ltd. | 100 | 100.0 | Provision of comprehensive repair services to consumers in Japan including shoe repairs and key duplication |
| Minit Oceania and S.E.A. Pte. Ltd. | 51,327,000 SG\$ | 100.0 (100.0) | Regional headquarter of "Mister Minit" in Oceania and Southeast Asia. |
| Minit Australia Pty Limited | 11,369,000 AS\$ | 100.0 (100.0) | Provision of comprehensive repair services to consumers in Australia including shoe repairs and key duplication |
| Minit New Zealand Limited | 50,000 NZ\$ | 100.0 (100.0) | Provision of comprehensive repair services to consumers in New Zealand including shoe repairs and key duplication |
| Mister Minit (Singapore) Pte. Ltd. | 905,000 SG\$ | 100.0 (100.0) | Provision of comprehensive repair services to consumers in Southeast Asian countries including shoe repairs and key duplication |
| Eagle Retailing Corporation | 100 | 90.0 | Sales of casual clothing items |
| Ascon Co., Ltd. | 720 | 56.1 | Planning and production of commercial printings |
| Blue Rivers Co., Ltd. | 10 | 100.0 | Sewing and processing business |
| Seigo Co., Ltd. | 200 | 40.0 [25.0] | Development of 100-yen shops |
| Shanghai Fukuryo Fashion Garment Co., Ltd. | 23,477,000 yuan | 100.0 (100.0) | Undertaking of production of suits, etc. |
| Shanghai Fukuryo International Trading Co., Ltd. | 1,156,000 yuan | 100.0 (100.0) | Supervision of cooperating factories for suits, etc. |
| PT. FUKURYO INDONESIA | 76,840 million rupiah | 90.0 (90.0) | Production of suits, etc. |
| WTW Corporation | 10 | 100.0 | Sales of sundry and interior decor shops |

- (Notes) 1. The figure in parentheses under "Investment ratio of the Company" indicates the indirect investment ratio and is included in the investment ratio.
2. The figure in square brackets under "Investment ratio of the Company" indicates the ownership ratio of close parties, etc. and is excluded from the investment ratio.

(12) Major descriptions of business (As of March 31, 2017)

The Group consists of the Company, its 23 consolidated subsidiaries and 5 non-consolidated subsidiaries, and conducts business wear business, casual wear business, credit card business, printing and media business, sundry sales business, and Total repair business service and in addition to these 6 businesses, it conducts reuse business and restaurant business etc.

(13) Major sales offices and factories (As of March 31, 2017)**[1] Major business offices of the Company**

| Name | Address |
|------------------------|--|
| Principal office | 1-3-5, Oji-cho, Fukuyama, Hiroshima |
| Tokyo Headquarters | TSC TOWER 7F, 4-5-10, Ueno, Taito-ku, Tokyo |
| TSC Sales Department | Shibuya Heiwa Bldg. 6F, 21-8, Udagawa-cho, Shibuya-ku, Tokyo |
| Stores | 919 stores across Japan (889 stores for the business wear business and 30 stores for casual wear and reuse businesses) |
| Kannabe Product Center | 1727-1, Fukami, Aza, Nishi Chujo, Oaza, Kannabe-cho, Fukuyama-shi, Hiroshima Prefecture |
| Ibara Product Center | 1345-2, Oe-cho, Ibara-shi, Okayama Prefecture |
| Tagawa Product Center | 2423-4, Ida, Oaza, Tagawa-shi, Fukuoka Prefecture |
| Chiba Center | 32-22, Shin Minato, Mihama-ku, Chiba-shi, Chiba Prefecture |

[2] Stores of the business wear business

(Unit: store(s))

| By fiscal year Area | Number of stores as of the end of March 2016 | Number of stores as of the end of March 2017 | Yofuku - n o - Aoyama | N B | T S C | U L | B G | U L MEASURE'S | WHITE T S C |
|------------------------|--|--|-----------------------|-----|-------|-----|-----|---------------|-------------|
| Hokkaido region | 36 | 36 | 34 | | 1 | 1 | | | |
| Tohoku region | 62 | 62 | 61 | | 1 | | | | |
| Kanto region | 294 | 303 | 257 | 4 | 27 | 9 | | 2 | 4 |
| Chubu region | 146 | 147 | 142 | 1 | 4 | | | | |
| Kinki region | 159 | 163 | 142 | 1 | 10 | 4 | 1 | 2 | 3 |
| Chugoku region | 54 | 54 | 49 | 1 | 4 | | | | |
| Shikoku region | 27 | 27 | 26 | 1 | | | | | |
| Kyushu region | 96 | 97 | 94 | | 2 | | | | 1 |
| Total | 874 | 889 | 805 | 8 | 49 | 14 | 1 | 4 | 8 |

(Notes) 1. Name of business format

NB : Next Blue

TSC : The Suit Company

UL : Universal Language

BG : Blue Grigio

UL MEASURE'S : Universal Language Measure's

WHITE TSC : White The Suit Company

2. The number of stores of "The Suit Company" includes that of "TSC SPA OUTLET," while the number of stores of "Universal Language" includes that of "UL OUTLET."

[3] Stores of the casual wear business

(Unit: store(s))

| By fiscal year Area | Number of stores as of the end of March 2016 | Number of stores as of the end of March 2017 | CALAJA | Levi's store | American Eagle Outfitters |
|------------------------|--|--|--------|--------------|---------------------------|
| Hokkaido region | 1 | 1 | | | 1 |
| Tohoku region | | | | | |
| Kanto region | 15 | 17 | | 2 | 15 |
| Chubu region | 9 | 10 | 4 | 1 | 5 |
| Kinki region | 16 | 17 | 2 | 5 | 10 |
| Chugoku region | 3 | 5 | 3 | 1 | 1 |
| Shikoku region | 2 | 1 | | | 1 |
| Kyushu region | 1 | 1 | | | 1 |
| Total | 47 | 52 | 9 | 9 | 34 |

(Note) The number of stores of “American Eagle Outfitters” includes outlet stores.

[4] Stores of the Sundry sales business

(Unit: store(s))

| By fiscal year Area | Daiso & Aoyama 100 Yen Plaza | |
|------------------------|---|---|
| | Number of stores as of the end of February 2016 | Number of stores as of the end of February 2017 |
| Hokkaido region | 15 | 15 |
| Tohoku region | 10 | 10 |
| Kanto region | 15 | 15 |
| Chubu region | 15 | 14 |
| Kinki region | 10 | 10 |
| Chugoku region | 16 | 16 |
| Shikoku region | 7 | 7 |
| Kyushu region | 31 | 30 |
| Total | 119 | 117 |

[5] Stores of the total repair service business

(Unit: store(s))

| By fiscal year Area | MISTER MINIT | |
|------------------------|--|--|
| | Number of stores as of the end of March 2016 | Number of stores as of the end of March 2017 |
| Hokkaido region | 7 | 6 |
| Tohoku region | 7 | 6 |
| Kanto region | 172 | 182 |
| Chubu region | 22 | 22 |
| Kinki region | 44 | 44 |
| Chugoku region | 19 | 16 |
| Shikoku region | 3 | 3 |
| Kyushu region | 19 | 20 |
| Japan total | 293 | 299 |
| Oceania | 258 | 267 |
| Others | 26 | 32 |
| Overseas total | 284 | 299 |
| Total | 577 | 598 |

(Notes) 1. Oceania includes Australia and Newzealand, and Others includes Singapore and Malaysia and China.

2. The number of stores includes the following FC stores:

End of March 2016 306 stores (81 stores in Japan, 219 stores in Oceania and 6 stores in Others)

End of March 2017 324 stores (72 stores in Japan, 242 stores in Oceania and 10 stores in Others)

[6] Stores of other businesses

(unit :store(s))

| By fiscal year Area | Reuse business | | | |
|------------------------|--|--|------------|--------------|
| | Number of stores as of the end of March 2016 | Number of stores as of the end of March 2017 | 2nd STREET | JUMBLE STORE |
| Hokkaido region | | | | |
| Tohoku region | | | | |
| Kanto region | 1 | 1 | | 1 |
| Chubu region | 3 | 3 | 3 | |
| Kinki region | 3 | 3 | 2 | 1 |
| Chugoku region | 2 | 2 | 2 | |
| Shikoku region | 1 | 1 | 1 | |
| Kyushu region | 1 | 2 | 2 | |
| Total | 11 | 12 | 10 | 2 |

(unit :store(s))

| By fiscal year Area | Restaurant businesses | | | |
|------------------------|--|--|---------------|--------|
| | Number of stores as of the end of March 2016 | Number of stores as of the end of March 2017 | Yakiniku King | Yuzuan |
| Hokkaido region | | 1 | 1 | |
| Tohoku region | 2 | 2 | 2 | |
| Kanto region | | 2 | 1 | 1 |
| Chubu region | 9 | 16 | 8 | 8 |
| Kinki region | | | | |
| Chugoku region | 2 | 2 | 2 | |
| Shikoku region | 2 | 2 | 2 | |
| Kyushu region | 8 | 8 | 8 | |
| Total | 23 | 33 | 24 | 9 |

(unit :store(s))

| By fiscal year Area | WTW | | | |
|------------------------|--|--|-----|-----------------|
| | Number of stores as of the end of March 2016 | Number of stores as of the end of March 2017 | WTW | WTW SURFCLUB |
| Hokkaido region | | | | |
| Tohoku region | | | | |
| Kanto region | 3 | 3 | 2 | 1 |
| Chubu region | | | | |
| Kinki region | 2 | 2 | 2 | |
| Chugoku region | | | | |
| Shikoku region | | | | |
| Kyushu region | | | | |
| Total | 5 | 5 | 4 | 1 |

[7] Major business offices and factories of subsidiaries

| Company name | Name | Address |
|--|------------------------------|--|
| Aoyama Capital Co., Ltd. | Principal office | 8-14, Funa-machi, Fukuyama-shi, Hiroshima Prefecture |
| | Branch office | Kurashiki branch (Okayama-shi, Okayama Prefecture) |
| | Sales office | Tokyo sales office (Chiyoda-ku, Tokyo) |
| MDS Co., Ltd. | Principal office | 1345-1, Oe-cho, Ibara-shi, Okayama Prefecture |
| Eisho Co., Ltd. | Principal office | 1345-1, Oe-cho, Ibara-shi, Okayama Prefecture |
| Ascon Co., Ltd. | Principal office | 1-15-27, Minato-machi, Fukuyama-shi, Hiroshima Prefecture |
| | Branch office | Tokyo branch (Chuo-ku, Tokyo), Osaka branch (Kita-ku, Osaka-shi), and Kyushu branch (Hakata-ku, Fukuoka-shi) |
| Blue Rivers Co., Ltd. | Principal office | 2-14-38, Oji-cho, Fukuyama-shi, Hiroshima Prefecture |
| Seigo Co., Ltd. | Principal office | 2-14-38, Oji-cho, Fukuyama-shi, Hiroshima Prefecture |
| | Sales office | 117 stores across Japan |
| Eagle Retailing Corporation | Principal office | 7 th floor, Harajuku Sophia Bldg., 6-10-11, Jingu-mae, Shibuya-ku, Tokyo |
| | Sales office | 34 stores across Japan |
| glob Co., Ltd. | Principal office | 1-3-5, Oji-cho, Fukuyama-shi, Hiroshima Prefecture |
| | Sales office | 33 stores across Japan |
| FUKURYO Co., Ltd. | Principal office | 1-74, Issha, Meito-ku, Nagoya-shi, Aichi Prefecture |
| | Distribution center | Moriyama Distribution Center (Moriyama-ku, Nagoya-shi, Aichi Prefecture) |
| Shanghai Fukuryo Fashion Garment Co., Ltd. | Principal office and factory | Shanghai City, China |
| Shanghai Fukuryo International Trading Co., Ltd. | Principal office and factory | Shanghai City, China |
| PT. FUKURYO INDONESIA | Principal office and factory | Semarang Regency, Central Java, Indonesia |
| Minit Asia Pacific Co., Ltd. | Principal office | 2 nd floor, Yanahashi First Bld., 2-19-6, Yanagibashi, Daito-ku, Tokyo |
| | Distribution center | 705-4, Komakado, Gotenba-shi, Shizuoka |
| Minit Oceania and S.E.A. Pte. Ltd. | Principal office | 16 New Industrial Road, #02-04, Hudson Technocentre, Singapore 536204 |
| Minit Australia Pty Limited | Principal office | 90-96 Bath Road, Kirrawee NSW Australia 2232 |

| Company name | Name | Address |
|------------------------------------|------------------|---|
| Minit New Zealand Limited | Principal office | 90-96 Bath Road, Kirrawee NSW Australia 2232 |
| Mister Minit (Singapore) Pte. Ltd. | Principal office | 16 New Industrial Road, #02-04, Hudson Technocentre, Singapore 536204 |
| WTW Corporation | Principal office | 4 th floor, Gaea Ebisu Bld., 2-20-2, Ebisuminami, Shibuya-ku, Tokyo |
| | Sales office | 5 stores (Minato-ku, Tokyo, Setagaya-ku, Tokyo, Shibuya-ku, Tokyo, Nishi-ku, Osaka-shi, Chuo-ku, Kobe-shi) |

(14) State of employees (As of the end of March 2017)

[1] State of employees of the Corporate Group

| Number of employees | As of the end of the previous consolidated fiscal year |
|-----------------------------|--|
| 7,527 people (3,740 people) | 7,193 people (4,225 people) |

- (Notes) 1. The number of employees is the number of workers.
2. The figure in parentheses in the column for number of employees is the number of temporary employees counted based on 8 hours per day per person and is not included in the number of employees.

[2] State of employees of the Company

| Number of employees | Increase or decrease from the end of the previous term | Average age | Average years of service |
|---------------------|--|----------------|--------------------------|
| 3,889 people | Increase of 229 people | 35.6 years old | 12.0 years |

(15) Major lenders (As of the end of March 2017)

| Lender | Debt payable |
|-------------------------------------|--------------|
| | Million yen |
| Mizuho Bank, Ltd. | 18,500 |
| Sumitomo Mitsui Banking Corporation | 17,600 |
| The Momiji Bank, Ltd. | 10,800 |

(16) Other important matters concerning the Corporate Group

No corresponding item existed.

2. Matters related to the Company's stock (As of March 31, 2017)

- (1) Total number of shares authorized 174,641,100
to be issued
- (2) Total number of shares outstanding 55,394,016
- (3) Number of shares in 1 share unit 100
- (4) Number of shareholders 8,887 (Compared to the end of the
previous term: increase of 2,783)
- (5) Major shareholders

| Shareholder | Number of shares held | Percentage |
|---|-----------------------|------------|
| | thousand shares | % |
| Ichigo Trust Pte. Ltd. | 4,982 | 9.55 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 4,795 | 9.19 |
| HK Corporation | 3,000 | 5.75 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 2,806 | 5.38 |
| Osamu Aoyama | 1,661 | 3.18 |
| Aoyama Bussan, Ltd. | 1,298 | 2.48 |
| Trust & Custody Services Bank, Ltd. (Security investment trust account) | 1,166 | 2.23 |
| Hoshino Shoji Limited | 1,001 | 1.91 |
| Sumitomo Mitsui Banking Corporation | 1,000 | 1.91 |
| Japan Trustee Services Bank, Ltd. (Trust account 9) | 947 | 1.81 |

- (Notes) 1. Any number of shares held amounting to less than the minimum trading unit has been rounded down.
2. Percentage (%) represents the percentage of shareholdings against the number of shares outstanding (excluding treasury shares) as of March 31, 2017.
3. The Company holds 3,251 thousand shares of treasury shares, but the number of shares held is not included in the above list of major shareholders.

(6) Other important matters related to stock

The total number of treasury shares acquired during the current consolidated fiscal year is 1,680,200 shares (3.03% of the total number of shares outstanding after retirement (including treasury shares)), with a total acquisition cost of 6,499 million yen.

3. Matters related to warrants, etc.

(1) State of warrants as of the end of this fiscal year

- | | |
|--|--|
| [1] Number of warrants | 85 |
| [2] Type and number of targeted shares | Common stock of the Company 8,500 shares (100 shares per warrant) |

(2) State of warrants held by directors and officers of the Company provided as consideration for the execution of duties as of the end of this fiscal year.

No corresponding item existed.

(3) State of warrants provided to employees, etc. as consideration for the execution of work during the fiscal year

No corresponding item existed.

(4) Other important matters related to warrants, etc.

The Company, at a meeting of the Board of Directors held on January 8, 2017, resolved to issue warrants as described below to the Company's Directors, Executive Officers, and employees, as well as to Directors of the Company's subsidiaries, pursuant to Articles 236, 238, and 240 of the Companies Act. Because shares will be issued to the receivers of rights at fair value in exchange for a consideration, and not on particularly favorable terms, the Company shall implement it without obtaining the approval of the General Meeting of Shareholders. Moreover, the warrants shall not be given as compensation for eligible persons, but shall be accepted based on the individual investment judgments of those persons.

<Purpose and reason for offering warrants >

Warrants shall be issued to the Company's Directors, Executive Officers, and employees, as well as to Directors of the Company's subsidiaries in exchange for a consideration, with the aim of enhancing incentives to achieve business goals (consolidated operating income of 27 billion yen for the fiscal year ending March 2018) under the medium-term management plan "CHALLENGE 2017" announced on January 28, 2015. If all of the warrants are exercised, the total number of common shares of the Company will increase by the equivalent to 0.47% of the total number of outstanding shares. However, the warrants may be exercised conditionally upon the achievement of business goals determined in advance, and achievement of the goal is deemed to contribute to improving the corporate value and shareholder value of the Company. Accordingly, the issuance of warrants is deemed to contribute to the interests of existing shareholders of the Company from a medium- to long-term perspective, while their impact on stock dilution is considered to be reasonable.

| | | | |
|--|--|------------|--------------|
| Date of resolution for issuance | January 8, 2017 | | |
| Number of warrants | 2,580 | | |
| Type and number of shares subject to warrants | Common shares 258,000 shares (One hundred (100) shares per one (1) warrant) | | |
| Paid-in amount for warrants | For one (1) warrant 2,500 yen | | |
| Value of property to be invested upon the exercise of warrants | For one (1) warrant 447,000 yen (4,470 yen per share) | | |
| Period for exercising warrants | From July 2, 2018 to June 28, 2019 | | |
| Conditions for exercise | (Note) | | |
| Persons eligible | Directors of the Company | 6 persons | 600 warrants |
| | Executive Officers of the Company | 9 persons | 450 warrants |
| | (excl. those concurrently serving as Director) | | |
| | Employees of the Company | 30 persons | 900 warrants |
| | Directors of the Company's subsidiaries | 21 persons | 630 warrants |

- (Notes)
1. Warrant holders may exercise warrants only in cases where the operating income of the Company for the fiscal year ending March 2018 exceeds 27 billion yen. The operating income in the consolidated statement of income included in the annual securities report shall be referred to in judging the above operating income; if the concept of the item to be referred to is materially changed by the application etc. of International Financial Reporting Standards etc., the indicator to be referred to shall be determined separately by the Board of Directors.
 2. Warrant holders shall, as of the exercise of the warrants held thereby, continuously hold the same status as Company's Directors, Executive Officers, and employees, as well as to Directors of the Company's subsidiaries; provided, however, that the same shall not apply in any of the following events: resignation due to the expiration of term of office; retirement at mandatory retirement age; or, any other reason approved by the Board of Directors.
 3. In the case of the death of a warrant holder, only one heir-at-law to the said warrant holder may inherit the rights of the said warrant holder.
 4. Warrants may not be exercised if the total number of shares outstanding exceeds the number of authorized shares at the time as a result of the exercising of the said warrants.
 5. Warrants of less than one may not be exercised.

4. Matters related to directors and officers

(1) State of directors and auditors (As of March 31, 2017)

| Position and responsibilities in the company | Name | Important posts held concurrently |
|--|---------------------|---|
| Director and Chairman (Representative Director) | Shozo Miyamae | Representative Director and President, Aoyama Capital Co., Ltd. |
| Director and Vice President (Representative Director) | Hiroaki Miyamae | Director, Blue Rivers Co., Ltd. |
| Director and President (Representative Director, Executive Officer and President) | Osamu Aoyama | Representative Director and President, Eagle Retailing Corporation Representative Director, Aoyama Bussan, Ltd. Director, Aoyama Capital Co., Ltd. Director, Seigo Co., Ltd. Director, MDS Co., Ltd. Director, Eisho Co., Ltd. Director, glob Co., Ltd. |
| Senior Managing Director Senior Executive Officer General Manager of Planning and Administration Div. | Makoto Miyatake | Director, MDS Co., Ltd. Director, Eisho Co., Ltd. Auditor, Eagle Retailing Corporation Auditor, FUKURYO Co., Ltd. Director, Minit Asia Pacific Co., Ltd. |
| Director (Managing Executive Officer General Manager of Marketing and Sales Div.) | Yoshiyuki Matsukawa | Director, Blue Rivers Co., Ltd. |
| Director (Managing Executive Officer General Manager of Purchasing Div. and General Manager of Casual Wear/Reuse Business Div.) | Shinji Okano | Director, FUKURYO Co., Ltd. |
| Director | Seishi Uchibayashi | Lawyer Outside Director, Yasuhara Chemical Co., Ltd. |
| Director | Hiroaki Kobayashi | Representative Director, Nitto Seimo Co., Ltd. Representative Director, Nippon Turning Co., Ltd. Representative Director, Taito, Co., Ltd. |
| Standing Corporate Auditor (full time) | Tomokazu Osako | Auditor, Aoyama Capital Co., Ltd. |
| Auditor | Hiroshi Ogi | Accountant Outside Auditor, Aki Kanko Golf Co., Ltd. |
| Auditor | Kiyoshi Takegawa | Certified Public Accountant Tax accountant |
| Auditor | Toru Watanabe | Lawyer Outside Director, SHO-BI Co., Ltd. |

- (Notes) 1. Seishi Uchibayashi and Hiroaki Kobayashi, Directors, are outside directors as stipulated in Article 2-15 of the Company Law, and independent officers who filed in accordance with the regulations of Tokyo Stock Exchange, Inc.
2. Seishi Uchibayashi, Director, has abundant experience and high expertise as a lawyer as well as sufficient insight to monitor and supervise management from an objective viewpoint based on laws and regulations.
3. Hiroaki Kobayashi, Director, has gained a wealth of experience and knowledge as a corporate manager. Operating companies mainly in the field of manufacturing, he has sufficient insight to monitor and supervise the management of the Company from a viewpoint that is different from that of the Company.

4. Hiroshi Ogi, Kiyoshi Takegawa and Toru Watanabe, Auditors, are outside auditors as stipulated in Article 2-16 of the Companies Act, and independent officers who filed in accordance with the regulations of Tokyo Stock Exchange, Inc.
5. Hiroshi Ogi, Auditor, is a tax accountant with experience as director of a taxation office, and has sufficient knowledge of finance and accounting.
6. Kiyoshi Takegawa, Auditor, is a certified public accountant and tax accountant, and has sufficient knowledge of finance and accounting.
7. Toru Watanabe is qualified for the position and will be able to perform audits that will determine if operations are appropriate and in compliance with the law because he has a wealth of experience as a lawyer, are versed in corporate legal affairs, and has the superior insight needed to oversee corporate management.
8. The Company started using an executive officer system on June 29, 2005.
The following are the executive officers not concurrently holding the post of director as of March 31, 2017.

| Position in the company | Name | Responsibility |
|-------------------------|--------------------|---|
| Executive Officer | Shozo Hirakawa | General Manager of General Affairs Dept. |
| Executive Officer | Yasuhiro Fujii | General Manager of Store Development Div. |
| Executive Officer | Michinori Fujii | General Manager of Advertising Dept. and General Manager of Marketing and Sales Dept. of NB |
| Executive Officer | Yoshiyuki Maekawa | General Manager of TSC Business Div. and Representative Director of WTW Corporation. |
| Executive Officer | Satoshi Yomono | General Manager of IT and Systems Dept. and Information Controller |
| Executive Officer | Tadao Chiba | General Manager of Tokyo Head Office and General Manager of Human Resource Development Dept. |
| Executive Officer | Shinji Zaitzu | Vice Chief General Manager of Management Dept. and General Manager of General Planning and Policy Dept. |
| Executive Officer | Takayoshi Furuichi | Representative Director of glob Co., Ltd. |

(2) Outline of liability limitation agreement

In accordance with Article 427-1 of the Company Law, the Company has concluded agreements to limit liability as stated in Article 423-1 of the same act with all outside directors and outside auditors. The limit of liability based on the agreement was set as the minimum liability defined by Article 425-1 of the same act.

(3) The amount of remuneration for directors and auditors for the fiscal year

| Classification | Number of people | Amount of remuneration |
|------------------------------|------------------|------------------------|
| Director | 8 | 353 million yen |
| (including outside director) | (2) | (19 million yen) |
| Auditor | 4 | 33million yen |
| (including outside auditors) | (3) | (22 million yen) |
| Total | 12 | 386million yen |

(Notes) 1. Regarding the limit of remuneration for directors, the Company resolved at the 42nd Ordinary General Meeting of Shareholders held on June 29, 2006 that the amount of remuneration for directors be within 60 million yen per year (excluding the amount of salary as an employee of an employee and director).

2. Regarding the limit of remuneration for auditors, the Company resolved at the 29th Ordinary General Meeting of Shareholders held on June 29, 1993 that the amount of remuneration for auditors be within 60 million yen per year.

3. Policy on determining the amount of directors' remuneration or method for calculating directors' remuneration

(1) Basic remuneration policy

The Company determines the directors' remuneration with an eye to ensuring that the remuneration system will enhance performance and continually increase corporate value and, allows the Company to share common interests with shareholders, and that remuneration is determined through an objective and highly transparent process. Working in line with this basic policy, the Company established the Compensation Advisory Committee, which discusses policies and systems concerning remuneration of directors and executive officers in consultation with the Board of Directors, which then makes any final decision based on recommendations given by the advisory committee. The advisory committee is chaired by an independent outside director and consists of a total of five members, including three other directors (excluding representative directors) and an outside director.

(2) Calculation method

The remuneration of directors (excluding outside directors) and executive officers consists of a fixed remuneration and performance-related remuneration, which are determined according to their roles and positions. The performance-related remuneration is paid to directors at the rate of zero to one hundred percent (zero to seventy percent for executive officers) of their fixed remuneration, depending on the Company's consolidated performance in a given year and the individual performance of duties assigned to their position. Remuneration of outside directors and auditors, who are independent from the Company's operations, consists solely of a fixed remuneration. Retirement benefits for directors and auditors were abolished at the 42nd Ordinary General Meeting of Shareholders held on June 29, 2006

(4) Matters related to outside officers

[1] The relationships between the companies where outside officers concurrently hold important posts and the Company

| Job title | Name | The company where the outside officer concurrently holds an important post | Post | The relationship with other Group companies |
|------------------|--------------------|--|-------------------------|--|
| Outside Director | Seishi Uchibayashi | Yasuhara Chemical Co., Ltd. | Outside Director | There are no important transactions or other relationships between the Company and Yasuhara Chemical Co., Ltd. |
| Outside Director | Hiroaki Kobayashi | Nitto Seimo Co., Ltd. | Representative Director | There are no important transactions or other relationships between the Company and Nitto Seimo Co., Ltd., Nippon Turning Co., Ltd., and Taito, Co., Ltd. |
| | | Nippon Turning Co., Ltd. | Representative Director | |
| | | Taito, Co., Ltd. | Representative Director | |
| Outside Auditor | Hiroshi Ogi | Aki Kanko Golf Co., Ltd. | Outside Auditor | There are no important transactions or other relationships between the Company and Aki Kanko Golf Co., Ltd. |
| Outside Auditor | Toru Watanabe | SHO-BI Co., Ltd. | Outside Director | There are no important transactions or other relationships between the Company and SHO-BI Co., Ltd. |

[2] Relationships between the Company and specific business operators No corresponding item existed.

[3] Major activities during the fiscal year

| Job title | Name | Board Meeting attendance | The Board of Auditors attendance | Speaking status |
|------------------|--------------------|--------------------------|----------------------------------|--|
| Outside Director | Seishi Uchibayashi | 14 times out of 14 times | - | At meetings of the Board of Directors and the Board of Auditor, he has made appropriate remarks mostly from a professional viewpoint as a lawyer. |
| Outside Director | Hiroaki Kobayashi | 9 times out of 10 times | - | At meetings of the Board of Directors and the Board of Auditor, he has gained a wealth of experience and knowledge as a corporate manager. |
| Outside Auditor | Hiroshi Ogi | 14 times out of 14 times | 11 times out of 11 times | At meetings of the Board of Directors and the Board of Auditors, he has made appropriate remarks mostly from a professional viewpoint as a tax accountant. |
| Outside Auditor | Kiyoshi Takegawa | 14 times out of 14 times | 11 times out of 11 times | At meetings of the Board of Directors and the Board of Auditors, he has made appropriate remarks mostly from a professional viewpoint as a certified public accountant and tax accountant. |
| Outside Auditor | Toru Watanabe | 13 times out of 14 times | 10 times out of 11 times | At meetings of the Board of Directors and the Board of Auditors, he has made appropriate remarks mostly from a professional viewpoint as a lawyer. |

(Note) Hiroaki Kobayashi, Outside Director, at the 52nd Ordinary General Meeting of Shareholders held on June 29, 2016

5. Matters related to the accounting auditors

- | | |
|--|----------------|
| (1) Name of accounting auditor | KPMG AZSA LLC |
| (2) Amount of remuneration, etc., for the accounting auditor | |
| [1] The amount of remuneration for the accounting auditors for the fiscal year | 56 million yen |
| [2] Total amount the Company and its subsidiaries owe to the Accounting Auditor and other financial profit | 80 million yen |

Notes 1 In accordance with the “Practical Guidelines for Cooperation with Accounting Auditors” published by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors of the Company has given its consent to the remuneration for Accounting Auditors pursuant to Article 399-1 of the Companies Act, as a result of obtaining the necessary documents from business execution departments and Accounting Auditors, receiving reports, and confirming and examining the execution of duties by Accounting Auditors, the contents of audit plans, and the grounds for calculating the estimate for remuneration, etc.

2 The audit agreement between the Company and KPMG AZSA LLC does not clearly distinguish the amount of remuneration for the accounting auditor in accordance with the Companies Act and the amount of remuneration for the audit in accordance with the Financial Instruments and Exchange Act. In addition, it is practically impossible to divide, so the total is used as the amount under [1] above.

3 In addition to the above, there are 8 million yen as additional remuneration for audit during previous Year

(3) Description of non-audit tasks

No corresponding item existed.

(4) Policy for decisions on the dismissal or non-reappointment of the accounting auditor

When the Board of Corporate Auditors recognizes that an Accounting Auditor falls under the items stipulated in the clauses of Article 340-1 of the Company Law, the Board of Auditors shall discuss the matter, and based on the unanimous agreement of all of the Corporate Auditors, report the dismissal of the Accounting Auditor and its reason. Moreover, when it has judged that there is a difficulty in executing the duties of an Accounting Auditor, in such cases where the independence of Accounting Auditors, audit framework, or quality control system is not provided, the Board of Corporate Auditors shall consider dismissing or not reappointing the Accounting Auditor; and, if deemed necessary, it shall determine the contents of the proposal for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

6. Systems to ensure the appropriateness of work and the operating status of systems

A summary of the decision of the Board of Directors on the system to ensure compliance in the execution of duties by directors with laws, regulations, and the Articles of Incorporation, and other systems to ensure the appropriateness of the activities of association and the operating status of the systems are as follows:

Basic policy for establishing an internal control system

(1) System to ensure that the execution of the duties of directors and employees complies with laws, regulations, and the Articles of Incorporation

- [1] With the aim of fulfilling the Company's social responsibilities and corporate ethics, we establish rules (Compliance manual) as a code of conduct for officers and employees to comply with laws, regulations, and social mores, and thoroughly implement them.
- [2] The Company sets up the Compliance Committee with the President as chairman to address issues related to the legal compliance of the company's activities and various compliance issues.
- [3] An internal report system of the Group is established as a means for officers and employees to inform on suspicious conduct from the viewpoint of corporate ethics and legal compliance. Using the system, we strive to detect misconduct at an early stage, and rectify it.
- [4] Conducts internal audit department managed directly by the President, conducts internal audits.
- [5] In accordance with Organized Crime Exclusion Ordinances, the Company stands firm against antisocial forces and organizations, which threaten the order and safety of civic life and corporate activities. The Company does not associate with any such group and does not assist them in gaining any profits, including financial profit. If the Company directly or indirectly receives an inappropriate request from an antisocial force or organization, we cooperate with lawyers and the police, and handle it with a resolute attitude.

(2) System for the storage and management of information about the execution of work by directors

The information about the execution of work by directors is recorded and managed by the responsible department based on internal regulations ("Document management rules").

(3) Other systems including rules for the management of risk of loss

- [1] Among the various risks that occur during general business activities, the responsible department conducts risk analysis and considers management measures for risks in management strategies. Such risks are discussed at officer meetings and management meetings as required.
- [2] Business operation risks are managed through the collection of risk-related information, early detection of occurrence and information exchanges among concerned departments. In particular, for personal information, make information security basic policy and privacy policy, and offer a "personal information management officer" and The Company will reinforce the internal management system including the renewal of manuals, thorough internal training, and information systems.
- [3] When an unexpected incident has occurred, a headquarters led by the President will be established. In addition, a communication team and external advisory team including a legal adviser will be organized to react promptly in order to minimize losses attributable to the incident.

(4) System to ensure the efficient execution of the duties of directors

- [1] To promote the separation of management and execution, an executive officer system was adopted. The Company conducts quick decision-making and business execution by consigning significant responsibility and authority to executive officers.
- [2] Management meetings are basically held once a month, inviting directors, executive officers and auditors to discuss important matters of overall management, to enable total coordination of the activities of departments and obtain agreement on business execution.
- [3] The Board of Directors shall develop mid-term management plans and annual plans to clarify the goals the Company should achieve. In addition, it shall clarify the business goals of each department managed by each executive officer. Progress shall be periodically reported at management meetings, etc. to monitor the execution of duties by executive officers.
- [4] An officers' meeting, which consists of directors and auditors, shall be held once a week as a general rule as a review body to discuss important matters related to the execution of duties and the agenda of the Board of Directors, for the appropriate execution of duties and budgeting of each department, and faster decision-making.
- [5] The Company shall handle business efficiently based on the Regulations on the Segregation of Duties.

(5) System to ensure the appropriateness of the work of the corporate Group, consisting of the Company and its subsidiaries

- [1] While respecting the autonomy and independence of the management of subsidiaries, for the Company to ensure a system for efficiently executing the duties of directors of subsidiaries, etc., and a system for managing risks of losses, the Company shall dispatch directors or auditors as required. In addition, the Company shall internally establish a managing department. The managing department shall exchange information and discuss important matters related to business operations with subsidiaries.
- [2] The Company shall discuss important matters related to the subsidiaries' management based on the Affiliate Management Regulations. In addition, the Company shall require subsidiaries to report periodically on the execution of duties and their financial status.
- [3] Companies that are subject to consolidated financial status shall be added to the Compliance Committee to check if Group companies are conducting business properly and efficiently.
- [4] Internal Audit Department shall audit the status of each Group company periodically.

(6) Matters related to employees who assist auditors in their duties

- [1] Auditors of the Company shall have employees to assist them in their duties. Auditors and directors shall discuss the number and selection of employees.
- [2] The Company shall obtain the approval of the auditors in advance regarding the transfer of employees who will assist the duties of the auditors.

- (7) System for directors and employees of the Company and subsidiaries to report to auditors and other systems for reporting to auditors
- [1] Directors and employees of the Company shall immediately report to auditors when a matter that may significantly damage the Company will or may occur, or when they detect illegal or dishonest conduct by directors or employees. In addition, a request for a managerial decision or a report related to any other important matter shall be circulated to the Standing Corporate Auditor.
 - [2] In principle, auditors shall attend meetings such as those of the Board of Directors and Compliance Committee to receive reports on the execution of duties, etc. from the directors and employees of the Company.
 - [3] Directors and employees of subsidiaries shall report immediately to the responsible department when a matter that will or may significantly damage the Company occurs, or when they detect illegal or dishonest conduct by directors or employees. The responsible department shall report the matter to an auditor of the Company.
 - [4] Auditors shall attend the Audit Report Meetings of the Audit Department of the Company, etc., to receive reports on the risk management status, etc. of subsidiaries.
 - [5] Auditors may, as required, request the directors and employees of the Company and its subsidiaries to submit reports, explanations, or related information on the execution of duties.
- (8) System to ensure that a person who has made a report mentioned in (7) above does not receive unfair treatment due to the report
The Company shall prohibit any officer or employee of a Group company who makes a report to auditors from being treated unfairly for the reason they submit such a report, and shall make this known to everyone without exception.
- (9) Matters related to the treatment of costs or debts generated by the execution of the duties of auditors of the Company
- [1] When auditors request advance payment of costs to execute their duties, the Company shall immediately process the payment of costs or debts unless the responsible department judges that it is not necessary.
 - [2] When it is deemed necessary for the auditors to execute duties, the Company shall approve the necessary audit costs such as fees to obtain opinions and advice from experts such as lawyers and certified public accountants.
- (10) Other systems to ensure the efficient execution of audits by auditors
- [1] To improve the audit function of auditors, the Company shall ensure not only expertise, but also independence in the selection of outside auditors.
 - [2] Directors shall make efforts to deepen the understanding of audits by auditors and facilitate an environment for audits by auditors.
 - [3] The auditors shall periodically have meetings with the Representative Director to exchange opinions on facilitating audits of the execution of duties by directors and audit systems.
 - [4] Auditors shall periodically hold meetings to exchange information and comments with the accounting auditor and Internal Audit Department to establish close cooperation.

(Implementation status of systems to ensure the appropriateness of duties)

The following is a summary of the Company's implementation of systems to ensure the appropriateness of duties.

(1) System to ensure that the execution of the duties of directors and employees complies with laws, regulations, and the Articles of Incorporation

In addition to education through the comprehensive dissemination of internal rules and internal training, the Company endeavors to spread awareness of compliance throughout the group through the activities of the Compliance Committee, as well as to identify inappropriate events using the internal reporting system of the Group at an early stage, and rectify them quickly. Moreover, the Company changed the Inspection Department to the Internal Audit Department to strengthen the internal audit system.

(2) System for storing and managing information on the execution of duties by directors

Minutes of the Board of Directors meetings are prepared for each meeting the Board of Directors to be stored at the Board of Directors' secretariat. Moreover, requests for managerial decisions are also stored by responsible developments in accordance with "Document management rules."

(3) Other systems including rules for managing risk of loss

Risks in management strategies are discussed at management meetings and officers' meetings according to their importance, and necessary management measures are taken for the risks as required according to the case. Moreover, for risks in business management, the Company is developing various rules, disseminating them thoroughly, and visualizing risks including those of affiliates.

(4) System to ensure the efficient execution of the duties of directors

The management meeting and the officers' meeting are operated smoothly in accordance with their objectives. From fiscal year 2015, following up the medium-term management plan was added to their agendas, with progress checked and shared quarterly.

(5) System to ensure the appropriateness of the activities of the corporate Group, consisting of the Company and its subsidiaries

The management department for operations is developing risk management systems at subsidiaries, in an effort to identify and take measures for potential risks. Moreover, to strengthen the internal audit system, the Inspection Department was replaced by the Internal Audit Department, which is developing a system to audit the activities of each Group company periodically.

(6) Matters related to employees who assist the auditors in their duties

Employees in the Internal Audit Department, with the appropriate abilities and knowledge requested by auditors, assist auditors.

(7) System for directors and employees of the Company and subsidiaries to report to auditors and other systems for reporting to auditors

A system is in place to thoroughly notify the existence of the internal reporting system of the Group and immediately report to auditors when a matter that could significantly damage the Company will or may occur. Moreover, auditors attend meetings such as those of the Board of Directors and Compliance Committee to receive reports on the

execution of duties, and actively express their opinions, as necessary.

- (8) **System to ensure that a person who makes a report based on (7) above does not receive unfair treatment due to that report**

Everyone is informed without exception that, in accordance with internal regulations, the Company prohibits any officer or employee who makes such a report from being treated unfairly for the reason that they submit such a report.

- (9) **Matters related to the treatment of costs or debts generated by the execution of the duties by auditors of the Company**

In accordance with the audit standards for auditors, the Company has budgeted in advance the costs required for executing the duties of auditors.

The Company also immediately processes costs incurred urgently or extraordinarily if they are judged necessary.

- (10) **Other systems to ensure the efficient execution of audits by auditors**

In accordance with the independence criteria of the Company, when selecting outside auditors, we ensure not only their expertise but also their independence. Moreover, the Company is striving to improve the effectiveness of visiting audits by auditors in cooperation with them, including the cooperation of each department with visiting audits by auditors, as well as reporting to auditors by accounting auditors and the Internal Audit Department, as necessary.

Consolidated Balance Sheet

(As of March 31, 2017)

(Unit: million yen)

| Assets | | Liabilities | |
|--------------------------------------|----------------|---|----------------|
| Titles | Amount | Titles | Amount |
| Current assets | 203,801 | Current liabilities | 58,742 |
| Cash and deposits | 50,382 | Notes and accounts payable-trade | 19,355 |
| Notes and accounts –receivable-trade | 19,233 | Electronically recorded obligations | 17,030 |
| Securities | 20,099 | Short-term loans payable | 2,050 |
| Merchandise and finished goods | 53,445 | Accounts payable | 8,778 |
| Deferred tax assets | 1,660 | Income tax payable | 4,350 |
| Operating loans | 53,939 | Provision for bonuses | 1,795 |
| Other | 5,295 | Other | 5,382 |
| Allowance for doubtful accounts | -255 | | |
| Non-current assets | 187,457 | Non-current liabilities | 98,960 |
| Property, plant and equipment | 109,840 | Bonds payable | 24,000 |
| Buildings and structures | 61,362 | Long-term loans payable | 58,500 |
| Machinery, equipment and vehicles | 1,646 | Net defined benefit liability | 6,070 |
| Land | 36,948 | Provision for point card certificates | 3,115 |
| Leased assets | 3,497 | Other | 7,274 |
| Construction in progress | 329 | | |
| Other | 6,056 | | |
| Intangible non-current assets | 21,164 | Total liabilities | 157,702 |
| Leasehold interest in land | 888 | Net assets | |
| Trademark rights | 4,292 | Shareholders' equity | 245,628 |
| Software | 1,983 | Capital stock | 62,504 |
| Telephone subscription rights | 137 | Capital surplus | 62,533 |
| Goodwill | 12,736 | Retained earnings | 134,291 |
| Other | 1,126 | Treasury shares | -13,701 |
| Investments and other assets | 56,452 | Accumulated other comprehensive income | -14,755 |
| Investment securities | 9,806 | Valuation difference on available-for-sale securities | 1,829 |
| Long-term loans receivable | 4,009 | Deferred gains or losses on hedges | 21 |
| Deferred tax assets | 8,705 | Revaluation reserve for land | -16,142 |
| Lease and guarantee deposits | 27,122 | Foreign currency translation adjustment | -162 |
| Net defined benefit asset | 231 | Remeasurements of defined benefit plans | -301 |
| Real estate for investment | 5,041 | Subscription rights to shares | 8 |
| Other | 1,563 | Non-controlling interests | 2,785 |
| Allowance for doubtful accounts | -28 | | |
| Deferred assets | 109 | Total net assets | 233,666 |
| Bond issue costs | 109 | Total liabilities and net assets | 391,369 |
| Total assets | 391,369 | | |

Consolidated Statements of Income

(From April 1, 2016 to
March 31, 2017)

(Unit: million yen)

| Title | Amount | |
|--|-------------|---------|
| Net sales | | 252,777 |
| Cost of sales | | 112,358 |
| Gross profit | | 140,419 |
| Selling, general and administrative expenses | | 120,208 |
| Operating income | | 20,210 |
| Non-operating income | | |
| Interest income | 138 | |
| Dividend interest | 194 | |
| Real estate rent | 1,099 | |
| Foreign exchange gains | 304 | |
| Other | 505 | 2,242 |
| Non-operating expenses | | |
| Interest expenses | 130 | |
| Rent cost of real estate | 883 | |
| Loss on variation of derivatives | 268 | |
| Other | 86 | 1,369 |
| Ordinary income | | 21,084 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 100 | |
| Gain on sales of investment securities | 41 | 142 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 493 | |
| Impairment loss | | |
| Loss on valuation of investments in capital | 1,390 24 | 1,909 |
| Income before income taxes and minority interests | | 19,317 |
| Income taxes – current | 7,476 | |
| Income taxes deferred | -42 | 7,434 |
| Net income | | 11,883 |
| Profit attributable to non-controlling interests | | 314 |
| Profit attributable to owners of parent | | 11,568 |

Consolidated Statement of Changes in Equity

(From April 1, 2016 to
March 31, 2017)

(Unit: million yen)

| Item | Shareholder equity | | | | |
|---|--------------------|-----------------|-------------------|-----------------|----------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Shareholders' equity |
| Balance at the beginning of the year | 62,504 | 62,527 | 131,050 | -7,289 | 248,798 |
| Changes of items during period | | | | | |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | 5 | | | 5 |
| Dividends of surplus | | | -8,274 | | -8,274 |
| Profit attributable to owners of parent | | | 11,568 | | 11,568 |
| Purchase of treasury shares | | | | -6,501 | -6,501 |
| Disposal of treasury shares | | -52 | | 89 | 36 |
| Transfer to capital surplus from retained earnings | | 52 | -52 | | - |
| Changes of items other than shareholders' equity (net) | | | | | |
| Total changes of items during period | - | 5 | 3,241 | -6,412 | -3,165 |
| Balance at the end of the year | 62,504 | 62,533 | 134,291 | -13,701 | 245,628 |

| Item | Other accumulated comprehensive income | | | | | |
|---|--|------------------------------------|------------------------------|---|---|---|
| | Valuation difference on available –for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total other cumulative comprehensive income |
| Balance at the beginning of the year | 1,770 | -70 | -16,141 | 208 | -453 | -14,686 |
| Changes of items during period | | | | | | |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | | | | |
| Dividends of surplus | | | | | | |
| Profit attributable to owners of parent | | | | | | |
| Purchase of treasury shares | | | | | | |
| Disposal of treasury shares | | | | | | |
| Transfer to capital surplus from retained earnings | | | | | | |
| Changes of items other than shareholders' equity (net) | 59 | 91 | -1 | -371 | 152 | -69 |
| Total changes of items during period | 59 | 91 | -1 | -371 | 152 | -69 |
| Balance at the end of the year | 1,829 | 21 | -16,142 | -162 | -301 | -14,755 |

| Item | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|-------------------------------|---------------------------|------------------|
| Balance at the beginning of the year | 13 | 2,602 | 236,723 |
| Changes of items during period | | | |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders | | | 5 |
| Dividends of surplus | | | -8,274 |
| Profit attributable to owners of parent | | | 11,568 |
| Purchase of treasury shares | | | -6,501 |
| Disposal of treasury shares | | | 36 |
| Transfer to capital surplus from retained earnings | | | - |
| Changes of items other than shareholders' equity (net) | -5 | 182 | 108 |
| Total changes of items during period | -5 | 182 | -3,057 |
| Balance at the end of the year | 8 | 2,785 | 233,666 |

Notes on the Consolidated Financial Statements

(Notes on important matters that provide a basis for preparing the consolidated financial statements)

1. Scope of consolidation

Number of consolidated subsidiaries and names of main consolidated subsidiaries

[1] Number of consolidated subsidiaries: 23 companies

[2] Names of major consolidated subsidiaries:

Blue Rivers Co. Ltd., Aoyama Capital Co., Ltd., ASCON Co., Ltd., Seigo Co., Ltd., MDS Co., Ltd., Eisho Co., Ltd., Eagle Retailing Corporation, glob Co., Ltd., FUKURYO Co., Ltd., Minit Asia Pacific Co., Ltd., WTW Corporation and 12 other companies
WTW corporation was included in the scope of the consolidation from the current consolidated subsidiaries.

Names of major non-consolidated subsidiaries:

Taiwan Aoyama Shoji Co., Ltd.
Aoyama Suits (Shanghai) Co., Ltd.

(Reasons for excluding non-consolidated subsidiaries from the scope of consolidation)

The non-consolidated subsidiaries listed above are small, and their total assets, net sales, net profits and losses (proportional amount of equity), retained earnings (proportional amount of equity) and others do not materially impact the consolidated financial statements.

2. Application of equity method

Number of non-consolidated subsidiaries accounted for by equity method — companies

Number of affiliated companies accounted for by equity method — companies

Major non-consolidated subsidiaries not accounted for by equity method Taiwan Aoyama Shoji Co., Ltd.
Aoyama Suits (Shanghai) Co., Ltd.

(Reason for not applying the equity method)

Neither of the non-consolidated subsidiaries not accounted for by the equity method listed above has a net income (proportional amount of equity), retained earnings (proportional amount of equity), or other results, and is not important to overall operations. Accordingly, these companies are excluded from the scope of application of the equity method.

3. Matters concerning accounting policy

(1) Valuation standards and methods for significant assets

[1] Securities

Held-to-maturity bonds Stated at amortized cost (straight-line method)

Other securities Securities with fair market values:

Market value method based on the market price as of the last day of the consolidated fiscal period.
(Unrealized holding gains and losses are reported as a component of shareholders' equity with the cost of securities sold calculated using the moving-average method.)

Securities without fair market values: Stated at cost using the moving-average method.

[2] Derivatives Stated at market value

- [3] Merchandise and finished goods
Historical cost (reduction of book value from decline in profitability)
Goods: In principle, the specific identification method
Finished goods and work in process: Specific identification method
Raw materials: Moving-average method
Supplies: Stated at cost using the last purchase price method
- (2) Depreciation method for significant depreciable assets
- [1] Property, plant and equipment (excluding leased assets) and real estate for investment
- a. Those acquired before March 31, 2007
The former declining balance method
However, for consolidated subsidiaries' buildings (excluding facilities attached to a building), the former straight-line method is mainly used.
- b. Those acquired on and after April 1, 2007
The declining balance method
However, facilities attached to buildings and structures acquired on or after April 1, 2016 are amortized using the straight-line method for consolidated subsidiaries' buildings (excluding facilities attached to a building).
Major useful lives are as described below.
- | | |
|-----------------------------------|----------------------------|
| Buildings and structures | 6 to 39 years and 50 years |
| Machinery, equipment and vehicles | 3 to 12 years |
| Other | 3 to 20 years |
- [2] Intangible non-current assets (excluding leased assets)
The straight-line method
Trademark rights and contract-related assets are amortized based mainly on economic useful lives (15 years).
Internally used software is amortized using the straight-line method based on the internally usable period (five years).
- [3] Leased assets
For leased assets related to financing and leasing transactions other than those in which ownership is deemed to transfer to the lessee
The straight-line method is used with a residual value of zero (In cases where an agreement is made concerning residual value in the lease contract, the residual value), with the lease period deemed to be equivalent to the useful life of the asset.
- (3) Basis of accounting for significant allowances
- [1] Allowance for doubtful accounts
To provide a reserve for bad debt expenses, a general allowance is provided using a rate determined from past experience of bad debts, and specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectability of certain doubtful accounts.
- [2] Provision for bonuses
The Company provides an allowance for bonuses for employees based on the estimated payment in the current consolidated fiscal year, out of the estimated payments for the future.
- [3] Provision for point card certificates
Based on the point card system for the purpose of sales promotion, the Company provides an allowance for point card certificates based on the estimated use of points in the future at the end of the current consolidated fiscal year.
- (4) Method of amortizing goodwill and amortization period
Goodwill is amortized using the equal-installment method for 5 to 15 years.
- (5) Important matters that form the base for preparation of other consolidated financial statements
- [1] Treatment method for deferred assets
Bond issue costs Straight line method over the period until maturity
- [2] Method of accounting for retirement benefits
- The attribution method for estimated retirement benefits
For the calculation of retirement benefit obligations, estimated retirement benefits are attributed to the period until the end of the current consolidated fiscal year mainly based on the projected benefit basis.

- Actuarial differences and the method for amortizing unrecognized prior service liabilities
Actuarial differences are amortized in the year subsequent to their occurrence using the straight-line method over a certain period (three to ten years) not exceeding the average remaining service life of employees as of the time of their occurrence.
Unrecognized prior service liabilities are amortized using the straight-line method over a certain period (eight to ten years) not exceeding the average remaining service life of employees as of the time of their occurrence.
- [3] Accounting method for consumption tax, etc.
National and local consumption taxes are excluded from revenue and expense accounts subject to taxes.
However, asset-related national and local consumption taxes that cannot be excluded are expensed in the consolidated fiscal year in which they arise.

(Changes in accounting policy)

Beginning from the fiscal year under review, the Company applied the Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32 of June 17, 2016) due to the revision of the Corporation Tax Act. Accordingly we changed the depreciation method for facilities attached to buildings and structures that were acquired on April 1, 2016 or later from the declining balance method to the straight-line method.
This change had a minor effect on operating income, ordinary income, and net income before income taxes and minority interests for the fiscal year under review.

(Additional information)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) was adopted from the fiscal year under review.

(Notes on the consolidated balance sheets)

1. Cumulative amount of depreciation for property, plant and equipment 119,969 million yen
2. Cumulative amount of depreciation for real property for investment 3,977 million yen
3. Revaluation of land for business use

The Company and a consolidated subsidiary revalued land for business use pursuant to the Act of Land Revaluation (Act No. 34, March 31, 1998) and reported the revaluated reserve for land in net assets.

- Method of revaluation: Computed from the assessed value of fixed assets for property tax provided by Article 2-3 of the Enforcement Ordinance for the Act of Land Revaluation (Ordinance No. 119, March 31, 1998).
- Date of revaluation: March 31, 2002
- Difference in the revalued land between the fair value at the end of the current consolidated fiscal year and the book value after revaluation: -4,914 million yen

(Notes on the consolidated statements of income)

Impairment losses

The Company recorded impairment losses on the following asset groups.

| Use | Type | Location |
|---------------------------------------|--|---|
| Stores for business use | Buildings and structures Other | A total of 31 cases including Yokohama City, Kanagawa Prefecture etc. |
| Stores for lease (closed down stores) | Building and structures Land and others | A total of 2 cases including Atsuga City, Fukui Prefecture etc. |

The Company groups stores as the minimum units that create cash flows. Concerning leased assets, the Company groups property of each closed down store.

The Company reduced the book value of properties whose profitability is lower due to intensified competition or a decrease in the rental market to the collectable amount and reported the decrease as an impairment loss (1,390 million yen) under extraordinary losses. The impairment loss is divided into 1,263 million yen for buildings and structures and 126 million yen for others.

The collectable amount of each asset group is assessed by the net realizable value that is calculated with the assessed value of fixed assets for property tax.

(Notes on the consolidated statement of changes in equity)

1. Class and total number of outstanding shares at the end of the current consolidated fiscal year
Common stock 55,394,016 shares

2. Matters concerning dividends

(1) Payout amount of dividends

| Resolution | Class of shares | Total amount of dividends (in million yen) | Dividend per share (in yen) | Record date | Effective date |
|---|-----------------|--|-----------------------------|--------------------|-------------------|
| Regular general shareholders meeting on June 29, 2016 | Common stock | 5,649 | 105 | March 31, 2016 | June 30, 2016 |
| Board of Directors meeting on November 11, 2016 | Common stock | 2,624 | 50 | September 30, 2016 | November 25, 2016 |

Total dividends approved by the Ordinary General Meeting of Shareholders held on June 29, 2016 included 9 million yen in dividends for shares held by trusts in the Company.

Total dividends approved by the Board of Directors meeting held on November 11, 2016 included 9 million yen in dividends for shares held by trusts in the Company.

- (2) Of the dividends whose record date belongs to the current consolidated fiscal year, dividends whose effective date belongs to the following consolidated fiscal year.

| Resolution | Class of shares | Fund of dividend | Total amount of dividends (in million yen) | Dividend per share (in yen) | Record date | Effective date |
|---|-----------------|-------------------|--|-----------------------------|----------------|----------------|
| Regular general shareholders meeting on June 29, 2017 | Common stock | Retained earnings | 5,996 | 115 | March 31, 2017 | June 30, 2017 |

Total dividends to be approved by the Ordinary General Meeting of Shareholders held on June 29, 2017 include 21 million yen in dividends for shares held by trusts in the Company.

3. The class and number of shares subject to subscription rights to shares at the end of the current consolidated fiscal year (excluding rights for which the first date of the exercise period has not arrived.)
Common stock 8,500 shares

(Notes on financial products)

1. Matters concerning the status of financial products

(1) Policy for handling financial products

The Group has a policy of limiting fund management to short-term deposits, relatively risk-free bonds, and commercial papers, etc. To raise funds, the Group depends on loans from banks and bond issues. Derivatives are used to avoid foreign exchange fluctuations in accounts receivable-trade in the denomination of foreign currencies, and no speculative transactions are carried out.

Our consolidated subsidiaries are engaged in the financial service business accompanying the credit card business. To run the said business, the subsidiaries depend on indirect financing such as loans from the parent company and banks as well as the issue of bonds.

(2) The nature of financial products, their risks and risk management system

Bills receivable and accounts receivable as trade receivables are exposed to the credit risk of customers. Regarding said risk, the Group has a system for monitoring the due dates and remaining amount of each client and checking their credit situation as required in accordance with the Group's credit management regulations.

Operating loans to domestic clients and individuals are exposed to the credit risks caused by default. Regarding said risk, the Group has and operates a system for credit screening, credit limits, credit information management, internal ratings, the establishment of guarantees and collateral, measures for bad debts, etc., and in terms of individual cases, in accordance with the management regulations for credit risk of consolidated subsidiaries. This credit control is conducted by Business Planning Headquarters and is deliberated and reported on at regular meetings of the Board of Directors. In addition, Internal Audit Department checks the state of credit control. Of all operating loans, 99% are made to specific debtors.

Shares, which are investment securities, are exposed to the fluctuation risk of market values. They are mainly shares of companies that the Group has business relations with. Their fair values are obtained regularly and reported on at meetings of the Board of Directors.

Long-term loans receivable and lease and guarantee deposits are construction assistance funds, guarantees and deposits that are provided to a lessor when a new store is opened in a rental property, which are exposed to the credit risk of the lessor. Regarding said risk, the Group has a system in which responsible departments monitor the credit situation of each lessor as required.

Trade payables, which are notes payable, accounts payable, and electronically recorded obligations and other accounts payable, are due within one year.

Out of loans payable, short-term loans payable are mainly for fund raising for business transactions, and bonds and long-term loans payable (within five years in principle) are mainly for fund raising related to capital investment. Loans payable with variable interest rates are exposed to interest rate risk. To avoid the fluctuation risk of interest payments and fix payment methods, derivative transactions (interest rate swaps) may be made for each contract as hedging. In the method to assess the effectiveness of hedging, the assessment of effectiveness is omitted for contracts if they meet special treatment of interest rate swaps.

Derivative transactions are executed and controlled in accordance with internal regulations that specify the authority to trade, and in using derivatives, transactions are entered into only with financial institutions with a high rating to reduce credit risk.

Trade payables, bonds and loans payable are exposed to liquidity risk. The Group manages these through methods according to which each company prepares a monthly financing plan, etc.

2. Matters concerning the fair value of financial products, etc.

(Unit: million yen)

| | Reported amount in the consolidated balance sheet | Fair value | Difference |
|--|---|------------|------------|
| (1) Cash and deposits | 50,382 | 50,382 | - |
| (2) Notes and account receivable – trade | 19,233 | 19,233 | - |
| (3) Operating loans | 53,939 | 53,760 | -178 |
| (4) Securities and investment securities | | | |
| [1] Held-to-maturity securities | 20,099 | 20,099 | - |
| [2] Available-for-sale securities | 8,573 | 8,573 | - |
| (5) Lease and guarantee deposits | 27,122 | 27,121 | -0 |
| Total assets | 183,360 | 183,181 | -179 |
| (1) Notes and accounts payable | 19,355 | 19,355 | - |
| (2) Electronically recorded obligations | 17,030 | 17,030 | - |
| (3) Short-term loans payable | 2,050 | 2,050 | - |
| (4) Accounts payable | 8,778 | 8,778 | - |
| (5) Bonds payable | 24,000 | 24,095 | 95 |
| (6) Long-term loans payable | 58,500 | 58,636 | 136 |
| Total liabilities | 129,714 | 129,947 | 232 |
| Derivative transactions (*) | | | |
| [1] Not applicable to hedge accounting | 155 | 155 | - |
| [2] Applicable to hedge accounting | 29 | 29 | - |
| Total of derivative transactions | 184 | 184 | - |

(*) Net assets and liabilities caused by derivative transactions are stated at net values, and values of items that have more liabilities than assets are stated as zero.

(Note 1) Calculation methods for the fair value of financial products and matters concerning securities and derivative transactions

Assets

- (1) Cash and deposits and (2) Notes and accounts receivable

As they are settled in a short period of time, their fair values are approximately equivalent to their book values. Therefore, the book values are regarded as the fair values.

- (3) Operating loans

Because operating loans with variable interest rates are immediately affected by the movement of market rates, the fair values of these loans are approximately equivalent to the book values in cases where the credit risks of debtors have not significantly changed from the time of execution of the loans. Therefore, the book values are regarded as the fair values. Fixed-rate loans are segmented by loan type, internal rating, and period, and their fair value is determined by discounting the total amount of principal and interest by the assumed interest rate on new lending of a similar type. For loans to debtors who are possibly bankrupt, an allowance for doubtful accounts calculated from the current value of expected future cash flows or from the amount expected to be collected through disposal of collateral or the execution of guarantees is provided. Therefore, their fair values are approximately equivalent to the book values of claims minus the book value of the allowance for doubtful accounts on the balance sheet at the time of the consolidated account closing date. Therefore that amount is regarded as the fair value. Concerning operating loans that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, their fair values are considered to approximate the book values due to their expected repayment and interest conditions. Accordingly, the book values are regarded as the fair values.

- (4) Securities and investment securities

Their fair values are measured using quoted market prices in stock markets. The fair values of bonds are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions. Fair values of trust beneficiary rights and commercial papers are approximately equivalent to their book values because their maturity is short. Therefore, the book values are regarded as the fair values.

- (5) Lease and guarantee deposits

The credit risk of lease and guarantee deposits for which future cash flows can be estimated is small. Therefore, the fair value is calculated by discounting the planned collection amount by the yield of safe bonds that have similar maturity periods.

Liabilities

- (1) Notes and accounts payable, (2) Electronically recorded obligations, (3) Short-term loans payable,

- (4) Accounts payable

As they are settled in a short period of time, their fair values are approximately equivalent to their book values. Therefore, the book values are regarded as their fair values.

- (5) Bonds and (6) Long-term loans payable

Their fair values are determined by discounting the total amount of principal and interest by the assumed interest rate on new lending of a similar type.

Derivative transactions

Their fair values are measured at the quoted prices obtained from financial institutions.

(Note 2) Financial products for which the fair value is considered to be extremely difficult to determine

Unlisted shares (the reported amount in the consolidated balance sheet is 1,233 million yen) have no market price. Their future cash flows cannot be estimated, and their fair values are considered to be extremely difficult to measure. Therefore, they are not included in “(4) Securities and investment securities, [2] available-for-sale securities.”

(Notes on information per share)

1. Net assets per share 4,443.59 yen
2. Net income per share 220.06 yen

(Note 1) Basis for calculating profit per share

| | |
|--|--------------------|
| Profit attributable to owners of parent in consolidated statements of income | 11,568 million yen |
| Amount not attributable to common shareholders | - million yen |
| Profit attributable to owners of parent associated with common shares | 11,568 million yen |
| Average number of outstanding common stock in the fiscal year | 52,568,167 shares |

(Note 2) Treasury shares that are recorded by application of the total amount method is included in the treasury shares that are excluded from the average number of outstanding common shares for calculation of profit per share.

For calculation of net assets per share, said treasury shares are included in the treasury shares that are excluded from the number of outstanding common shares at the end of the fiscal year.

The number of said treasury shares at the end of the fiscal year: 185,900 shares

The average number of said treasury shares during the fiscal year: 185,900 shares

(Significant subsequent events)

No corresponding item existed.

Audit Report of the Accounting Auditors Concerning the Consolidated Financial Statements (Certified Copy)

Independent Auditor's Audit Report

May 4, 2017

To: The Board of Directors
Aoyama Trading Co., Ltd.

KPMG AZSA LLC

| | | | |
|---|-----------------------------|------------------|--------|
| Designated limited liability partner and managing partner | Certified public accountant | Motoharu Iyomasa | (Seal) |
| Designated limited liability partner and managing partner | Certified public accountant | Ichiro Suruga | (Seal) |
| Designated limited liability partner and managing partner | Certified public accountant | Koji Yasui | (Seal) |

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statements of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Aoyama Trading Co., Ltd., applicable to the consolidated fiscal year from April 1, 2016 to March 31, 2017.

Management responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements based on accounting principles generally accepted in Japan, and for designing and operating such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts of disclosures in the consolidated financial statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the state of the property, and the profit and loss, of the Corporate Group, which consists of Aoyama Trading Co., Ltd. and its consolidated subsidiaries, applicable to the consolidated fiscal year in conformity with accounting principles generally accepted in Japan.

Conflicts of interest

Neither KPMG AZSA LLC nor its managing partners have any interest in the Company which should be disclosed in compliance with the provisions of the Certified Public Accountants Act.

Balance sheet

(March 31, 2017)

(Unit: million yen)

| Assets | | Liabilities | |
|--|----------------|---|----------------|
| Item | Amount | Item | Amount |
| Current assets | 141,973 | Current liabilities | 45,034 |
| Cash and deposits | 369,263 | Accounts payable - trade | 11,384 |
| Accounts receivable - trade | 13,201 | Electronically recorded obligations | 16,804 |
| Securities | 20,099 | Accounts payable - other | 8,558 |
| Merchandise and finished goods | 44,181 | Accrued expenses | 1,306 |
| Raw materials and supplies | 589 | Advances received | 100 |
| Advance payments - trade | 292 | Deposits received | 148 |
| Short-term loans receivable from subsidiaries and associates | 20,000 | Income taxes payable | 3,428 |
| Prepaid expenses | 2,685 | Provision for bonuses | 1,196 |
| Deferred tax assets | 929 | Lease obligations | 344 |
| Accrued income | 4 | Asset retirement obligations | 4 |
| Other | 730 | Other | 1,755 |
| Allowance for doubtful accounts | -6 | | |
| Non-current assets | 185,616 | Non-current liabilities | 62,052 |
| Property, plant and equipment | 95,666 | Long-term loans payable | 50,000 |
| Buildings | 45,813 | Provision for retirement benefits | 4,770 |
| Structures | 6,562 | Provision for share grants | 167 |
| Machinery and equipment | 688 | Provision for point card certificates | 3,106 |
| Vehicles | 24 | Lease obligations | 406 |
| Tools, furniture and fixtures | 4,890 | Asset retirement obligations | 844 |
| Land | 34,613 | Other | 2,757 |
| Construction in progress | 296 | | |
| Leased assets | 2,778 | Total liabilities | 107,087 |
| Intangible Assets | 2,862 | Net assets | |
| Leasehold right | 856 | Shareholders' equity | 234,605 |
| Trademark right | 304 | Capital stock | 62,504 |
| Software | 1,588 | Capital surplus | 62,526 |
| Telephone subscription right | 112 | Legal capital surplus | 62,526 |
| Investments and other assets | 87,087 | Retained earnings | 123,275 |
| Investment securities | 8,618 | Legal retained earnings | 2,684 |
| Shares of subsidiaries and associates | 27,000 | Other retained earnings | 120,591 |
| Investments in capital of subsidiaries and associates | 395 | General reserve | 111,100 |
| Long-term loans receivable of associates | 5,500 | Retained earnings brought forward | 9,491 |
| Long-term loans receivable | 3,901 | Treasury shares | -13,701 |
| Long-term prepaid expenses | 745 | Valuation and translation adjustments | -14,111 |
| Deferred tax assets | 8,003 | Valuation difference on available-for-sale securities | 1,828 |
| Lease and guarantee deposits | 25,689 | Revaluation reserve for land | -15,939 |
| Real estate for investment | 10,894 | Subscription rights to shares | 8 |
| Other | 81 | | |
| Allowance for doubtful accounts | -3,742 | | |
| Total assets | 327,589 | Total net assets | 220,502 |
| | | Total liabilities and net assets | 327,589 |

Statements of Income

(From April 1, 2016to
March 31, 2017)

(Unit: million yen)

| Item | Amount | |
|--|--------|----------------|
| Net sales | | 189,650 |
| Cost of sales | | 76,292 |
| Gross profit | | 113,357 |
| Selling, general and administrative expenses | | 94,646 |
| Operating income | | 18,711 |
| Non-operating income | | |
| Interest income | 196 | |
| Interest on securities | 0 | |
| Dividend income | 519 | |
| Real estate rent | 3,339 | |
| Foreign exchange gains | 251 | |
| Other | 302 | 4,609 |
| Non-operating expenses | | |
| Interest expenses | 116 | |
| Rent cost of real estate | 3,109 | |
| Loss on valuation of derivatives | 268 | |
| Other | 27 | 3,522 |
| Ordinary income | | 19,798 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 70 | 70 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 375 | |
| Impairment loss | 1,146 | |
| Provision of allowance for doubtful accounts | 3,721 | |
| Loss on valuation of shares of subsidiaries and associates | 89 | |
| Loss on valuation of investments in capital | 24 | 5,357 |
| Net income before income taxes | | 14,511 |
| Income taxes-current | 5,936 | |
| Income taxes-deferred | -90 | 5,845 |
| Net income | | 8,665 |

Statement of Changes in Equity

(From April 1, 2016 to
March 31, 2017)

(Unit: million yen)

| Item | Shareholders' equity | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|
| | Capital stock | Retained earnings | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at the beginning of the year | 62,504 | 62,526 | - | 62,526 |
| Changes of items during period | | | | |
| Reversal of general reserve | | | | |
| Dividends of surplus | | | | |
| Net income | | | | |
| Purchase of treasury shares | | | | |
| Disposal of treasury shares | | | -52 | -52 |
| Transfer to capital surplus from retained earnings | | | 52 | 52 |
| Changes of items other than shareholders' equity (net) | | | | |
| Total changes of items during the term | - | - | - | - |
| Balance at the end of the year | 62,504 | 62,526 | - | 62,526 |

| Item | Shareholders' equity | | | | | |
|--|-------------------------|-------------------------|-----------------------------------|-------------------------|-----------------|----------------------------|
| | Retained earnings | | | | Treasury shares | Total shareholders' equity |
| | Legal retained earnings | Other retained earnings | | Total retained earnings | | |
| | | General reserve | Retained earnings brought forward | | | |
| Balance at the beginning of the year | 2,684 | 131,100 | -10,846 | 122,937 | -7,289 | 240,679 |
| Changes of items during period | | | | | | |
| Reversal of general reserve | | -20,000 | 20,000 | - | | - |
| Dividends of surplus | | | -8,274 | -8,274 | | -8,274 |
| Net income | | | 8,665 | 8,665 | | 8,665 |
| Purchase of treasury shares | | | | | -6,501 | -6,501 |
| Disposal of treasury shares | | | | | 89 | 36 |
| Transfer to capital surplus from retained earnings | | | -52 | -52 | | - |
| Changes of items other than shareholders' equity (net) | | | | | | |
| Total changes of items during period | - | -20,000 | 20,338 | 338 | -6,412 | -6,073 |
| Balance at the end of the year | 2,684 | 111,100 | 9,491 | 123,275 | -13,701 | 234,605 |

| Item | Valuation and translation adjustments | | | Subscription rights to shares | Total net assets |
|--|---|------------------------------|---|-------------------------------|------------------|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Total valuation and translation adjustments | | |
| Balance at the beginning of the year | 1,759 | -15,939 | -14,180 | 13 | 226,512 |
| Changes of items during period | | | | | |
| Reversal of general reserve | | | | | - |
| Dividends of surplus | | | | | -8,274 |
| Net income | | | | | 8,665 |
| Purchase of treasury shares | | | | | -6,501 |
| Disposal of treasury shares | | | | | 36 |
| Transfer to capital surplus from retained earnings | | | | | - |
| Changes of items other than shareholders' equity (net) | 69 | | 69 | -5 | 63 |
| Total changes of items during period | 69 | - | 69 | -5 | -6,010 |
| Balance at the end of the year | 1,828 | -15,939 | -14,111 | 8 | 220,502 |

Notes on the Non-consolidated Financial Statements

(Notes on matters concerning significant accounting policies)

1. Valuation standards and methods for major assets

(1) Valuation standards and methods for securities

| | |
|---------------------------------------|---|
| Held-to-maturity bonds | Stated at amortized cost (straight-line method) |
| Stocks of subsidiaries and affiliates | Stated at cost determined by the moving-average method |
| Other securities | Securities with fair market values: Market value method based on the market price as of the last day of the fiscal period (stated at the market value method based on quoted market prices at the end of the fiscal year. Unrealized holding gains and losses are reported as a component of shareholders' equity, with the cost of securities sold calculated using the moving-average method.) Securities without fair market values: Stated at cost based using the moving-average method |

(2) Valuation standards and methods for derivatives

Stated at market value

(3) Valuation standards and methods for inventory assets

Historical cost (reduction of book value from decline in profitability)

Goods: Specific identification method

Supplies: Stated at cost using the last purchase price method

2 Depreciation method for significant depreciable assets

- | | | | | | | | |
|--|--|--------------------------|----------------------------|-----------------------------------|---------------|-------|---------------|
| [1] Property, plant and equipment (excluding leased assets) and real estate for investment | <p>a. Those acquired before March 31, 2007 The former declining balance method However, for consolidated subsidiaries' buildings (excluding facilities attached to a building), the former straight-line method is mainly used.</p> <p>b. Those acquired on and after April 1, 2007 The declining balance method However, facilities attached to buildings and structures acquired on or after April 1, 2016 are amortized using the straight-line method for consolidated subsidiaries' buildings (excluding facilities attached to a building). Major useful lives are as described below.</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Buildings and structures</td> <td>6 to 39 years and 50 years</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td>3 to 12 years</td> </tr> <tr> <td>Other</td> <td>3 to 20 years</td> </tr> </table> | Buildings and structures | 6 to 39 years and 50 years | Machinery, equipment and vehicles | 3 to 12 years | Other | 3 to 20 years |
| Buildings and structures | 6 to 39 years and 50 years | | | | | | |
| Machinery, equipment and vehicles | 3 to 12 years | | | | | | |
| Other | 3 to 20 years | | | | | | |
| [2] Intangible non-current assets (excluding leased assets) | The straight-line method However, depreciation of software for use in the Company is calculated using the straight-line method based on the usable period within the Company (five years). | | | | | | |
| [3] Leased assets | For leased assets related to financing and leasing transactions other than those in which ownership is deemed to transfer to the lessee The straight-line method is used with a residual value of zero (In cases where an agreement is made concerning residual value in the lease contract, the residual value), with the lease period deemed to be equivalent to the useful life of the asset. | | | | | | |

3. Basis for accounting for allowances

- | | |
|-------------------------------------|---|
| (1) Allowance for doubtful accounts | To provide a reserve for bad debt expenses, a general allowance is provided using a rate determined from past experience of bad debts, and specific allowances are provided for the estimated amounts considered to |
|-------------------------------------|---|

be uncollectible after reviewing the individual collectability of certain doubtful accounts.

- | | |
|---|---|
| (2) Provision for bonuses | The Company provides an allowance for bonuses for employees based on the estimated payment in the current consolidated fiscal year. |
| (3) Provision for retirement benefits | <p>To prepare for the provision of retirement benefits for employees, the Company sets aside an estimated amount for retirement benefit obligations as of the end of the current fiscal year.</p> <p>The accounting method for refinement benefits and expenses is as follows.</p> <ul style="list-style-type: none"> • The attribution method for estimated retirement benefits For the calculation of retirement benefit obligations, estimated retirement benefits are attributed to the period until the end of the current fiscal year based on the projected benefit basis. • Actuarial differences and the method for amortization Actuarial differences are amortized in the year subsequent to their occurrence using the straight-line method over a certain period (three years) not exceeding the average remaining service life of employees as of the time of their occurrence. • The accounting method for unrecognized differences in mathematical calculations on the non-consolidated balance sheet differ from those on the consolidated balance sheet. |
| (4) Provision for employee stock ownership plan | To provide for employees' benefits of the employee stock ownership plan, the Company sets aside an estimated amount for the obligations of the employee stock ownership plan. |
| (5) Provision for point card certificates | Based on the point card system for the purpose of sales promotion, the Company provides an allowance for point card certificates based on the estimated use of points in the current consolidated fiscal year. |
4. Other significant matters for the purpose of preparing non-consolidated financial statements
- Accounting method for consumption tax, etc.
- National and local consumption taxes are excluded from revenue and expense accounts subject to taxes.
- However, asset-related national and local consumption taxes that cannot be excluded are expensed in the consolidated fiscal year in which they arise.

(Changes in accounting policy)

Beginning from the fiscal year under review, the Company applied the Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32 of June 17, 2016) due to the revision of the Corporation Tax Act. Accordingly we changed the depreciation method for facilities attached to buildings and structures that were acquired on April 1, 2016 or later from the declining balance method to the straight-line method.

This change had a minor effect on operating income, ordinary income, and net income before income taxes and minority interests for the fiscal year under review.

(Additional information)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) was adopted from the fiscal year under review.

(Notes on the non-consolidated balance sheet)

1. Cumulative amount of depreciation for tangible non-current assets 93,169 million yen
2. Cumulative amount of depreciation for real property for investment 5,963 million yen
3. Monetary claims and monetary liabilities for subsidiaries and affiliates
The amounts of monetary claims and monetary liabilities for subsidiaries and affiliates not displayed in segments are as follows:
Monetary claims for subsidiaries and affiliates 83 million yen
Monetary liabilities for subsidiaries and affiliates 3,923 million yen

(Notes on the non-consolidated statements of income)

- Amounts of transactions with affiliates
- | | |
|--------------------------------------|--------------------|
| Amount of operating transactions | 20,705 million yen |
| Amount of non-operating transactions | 2,692 million yen |

(Notes on the non-consolidated statements of changes in net assets)

1. Type and number of shares outstanding of treasury shares

| Type of share | As of April 1, 2016 | Increase during the fiscal year ended March 31, 2017 | Decrease during the fiscal year ended March 31, 2017 | As of March 31, 2017 |
|----------------------|---------------------|--|--|----------------------|
| Common stock (share) | 1,778,346 | 1,680,756 | 21,500 | 3,437,602 |

(Reasons for the above changes)

The details of the increase and decrease are as follows.

- | | |
|---|------------------|
| Increase due to purchase of treasury shares based on a resolution passed at a meeting of the Board of Directors | 1,680,200 shares |
| Increase due to the purchasing of shares of less than one unit | 556 shares |
| Decrease due to the exercise of stock options | 21,500 shares |

2. Matters concerning transactions granting Company stock to employees through a trust account

- [1] The numbers of shares of the Company held by a trust account included in treasury shares as of the beginning and end of the fiscal year under review
Beginning of the fiscal year under review: 185,900 shares
End of the fiscal year under review: 185,900 shares

- [2] The number of shares of the Company acquired, sold or granted by a trust that are included in the number of treasury shares that increased or decreased during the fiscal year under review
— share

(Notes on tax effect accounting)

1. Significant components of deferred tax assets and liabilities

(Deferred tax assets)

| | |
|--|-------------------|
| Accrued enterprise taxes | 314million yen |
| Provision for bonuses | 364million yen |
| Allowance for doubtful accounts | 8million yen |
| Provision for retirement benefits | 1,453million yen |
| Long –term accounts payable | 240million yen |
| Provision for point certificate program | 946million yen |
| Asset retirement obligations | 258million yen |
| Depreciation and amortization | 3,771million yen |
| Impairment loss | 2,483million yen |
| Loss on valuation of investment securities | 395million yen |
| Loss on valuation of shares of subsidiaries and associates | 27million yen |
| Allowance for doubtful accounts related to loans receivable from subsidiaries and associates | 1,133million yen |
| Other | 251million yen |
| Deferred tax assets subtotal | 11,650million yen |
| Valuation allowance | -1,922million yen |
| Total Deferred tax assets | 9,727million yen |

(Deferred tax liabilities)

| | |
|--|------------------|
| Asset retirement obligations | -74million yen |
| Valuation difference on other securities | -719million yen |
| Total deferred tax liabilities | -794million yen |
| Net deferred tax assets | 8,933million yen |

2. Major items of significant difference between the statutory effective tax rate and the corporate tax rate after adoption of deferred tax accounting

| | |
|------------------------------|--------|
| Statutory effective tax rate | 30.70% |
|------------------------------|--------|

(Reconciliation)

| | |
|--|--------|
| Entertainment and other permanently non-deductible expenses | 0.03% |
| Dividends and other permanently non-taxable income | -0.77% |
| Per capita inhabitant tax, etc. | 2.24% |
| Change in valuation allowances | 7.67% |
| Other | 0.41% |
| Corporate tax rate after adoption of deferred tax accounting | 40.29% |

(Notes on non-current assets under leases)

In addition to non-current assets recorded on the non-consolidated balance sheet, some business equipment and manufacturing facilities are used under finance lease contracts that do not transfer ownership of the leased assets to the lessees.

(Notes on transactions with related parties)
Subsidiaries, affiliates and other parties

(Unit: million yen)

| Attribute | Company name or name | Ratio of holding voting rights (voting right held by) | Relationship with related party | | Contents of transaction | Amounts of transaction | Account name | Balance as of March 31, 2015 |
|------------|------------------------------|---|--|------------------------------|-------------------------|------------------------|--|------------------------------|
| | | | Sharing of concurrent positions by board members, etc. | Business relationship | | | | |
| Subsidiary | Aoyama Capital Co., Ltd. | Possession Direct 100.0% | Sharing of concurrent positions by three (3) board members | Make loans (Note 1) | Make loans | - | Short-term loans receivable from subsidiaries and associates | 10,500 |
| Subsidiary | Eagle Retailing Corporation | Possession Direct 90.0% | Sharing of concurrent positions by two (2) board members | Make loans (Note 1) (Note 2) | Make loans | - | Long-term loans receivable from subsidiaries and associates | 5,500 |
| Subsidiary | FUKURYO Co., Ltd. | Possession Direct 100.0% | Sharing of concurrent positions by two (2) board members | Make loans (Note 1) | Make loans | - | Short-term loans receivable from subsidiaries and associates | 4,000 |
| Subsidiary | Minit Asia Pacific Co., Ltd. | Possession Direct 100.0% | Sharing of concurrent positions by one (1) board member | Make loans (Note 1) | Make loans | - | Short-term loans receivable from subsidiaries and associates | 4,300 |

Policy on the determination of the terms and conditions of transactions, etc.

(Note 1) The Company decides interest rates for loans to Aoyama Capital Co., Ltd., Eagle Retailing Corporation, FUKURYO Co., Ltd. and Minit Asia Pacific Co., Ltd. after reasonably considering market interest rates.

(Note 2) The Company records 3,721 million yen as allowance for doubtful accounts for these loans, and also records same amount as Provision of allowance for doubtful accounts at this fiscal year.

(Per share information)

1. Net assets per share 4,243.83 yen
2. Net income per share 164.84 yen

(Note 1) Basis for calculation of profit per share

| | |
|--|-------------------|
| Net income in non-consolidated statement of income | 8,665 million yen |
| Amount not attributable to common shareholders | — million yen |
| Net income associated with common stock | 8,665 million yen |
| Average number of common stock outstanding during the year | 52,568,167 shares |

(Note 2) Treasury shares is included among treasury shares to be deducted in calculations of the average number of shares outstanding during the year for the purpose of calculating profit per share.

Treasury shares is also included among treasury shares to be deducted in calculations of the total number of outstanding shares at the end of the fiscal year for the purpose of calculating net assets per share.

Total number of outstanding shares at the end of the fiscal year of said treasury shares:
185,900 shares

Average number of shares outstanding during the year of said treasury shares: 185,900 shares

(Significant subsequent events)

No corresponding item existed.

Audit Report of the Accounting Auditors (Certified Copy)

Independent Auditor's Audit Report

May 4, 2017

To the Board of Directors of
Aoyama Trading Co., Ltd.

KPMG AZSA LLC

| | | | |
|---|-----------------------------|------------------|--------|
| Designated limited liability partner and managing partner | Certified public accountant | Motoharu Iyomasa | (Seal) |
| Designated limited liability partner and managing partner | Certified public accountant | Ichiro Suruga | (Seal) |
| Designated limited liability partner and managing partner | Certified public accountant | Koji Yasui | (Seal) |

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited, the financial statements of Aoyama Trading Co., Ltd. ("the Company") which consist of the balance sheet, the statement of income, the statement of changes in net equity, the notes to the financial statements and supplementary schedules thereof for the 51st fiscal year from April 1, 2016 to March 31, 2017.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements and supplementary schedules thereof that give a true and fair view in accordance with accounting principles generally accepted in Japan. This responsibility includes implementing and maintaining internal controls deemed necessary by management relevant to the preparation and fair presentation of the financial statements and supplementary schedules thereof that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and supplementary schedules thereof based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supplementary schedules thereof are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and supplementary schedules thereof. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements and supplementary schedules thereof, whether due to fraud or error. In making those risk assessment, the auditors consider the Company's internal controls relevant to the preparation of the financial statements and supplementary schedules thereof that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and supplementary schedules thereof.

We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements and supplementary schedules thereof present fairly, in all material respects, the financial position of the Company as of March 31, 2012 and the results for the year then ended in conformity with accounting principles generally accepted in Japan.

Other Matters

Neither KPMG AZSA LLC nor its managing partners have any interest in the Company which should be disclosed in compliance with the provisions of the Certified Public Accountants Act.

Corporate Auditors' Report (Certified Copy)

Audit Report

The Board of Corporate Auditors discussed the execution of duties by Directors for the 53rd fiscal year from April 1, 2016 to March 31, 2017, based on the audit reports prepared by the respective Corporate Auditors, and prepared this Audit Report. The Board hereby reports the details as follows.

1. Audit Method of the Corporate Auditors and the Board of Auditors and the Details of the Audits
 - (1) The Board of Corporate Auditors established audit policies and the allocation of duties, etc., for the fiscal year under review, received reports from each Corporate Auditor about the state of implementation and the results of audits, as well as reports from the Directors and independent auditors about the state of execution of their duties, and requested them to provide explanations when needed.
 - (2) Each Corporate Auditor confirmed the auditing standards decided by the Board of Corporate Auditors, the auditing policies, and the allocation of duties; held dialogues with Directors, Internal Audit Department, and employees; strove to establish an environment for collecting information and auditing, and implemented audits according to the following methods:
 - a. Each Corporate Auditor attended meetings of the Board of Directors and other important meetings; received reports from Directors, employees, and other staff on the performance of their duties; requested explanations whenever necessary; inspected important written approvals and other documents; and examined the state of operations and assets at headquarters and principal offices. Meanwhile, the Board of Corporate Auditors communicated and exchanged information with Directors and other staff of subsidiaries, and received reports from subsidiaries whenever necessary.
 - b. Each Corporate Auditor also received reports on the establishment and operations thereof from Directors and employees, and sought explanations as necessary to express opinions about the system to ensure that the performance of duties by Directors as stated in the Business Report conforms to relevant laws, regulations, and the Articles of Incorporation; and the state of systems established based on resolutions of meetings of the Board of Directors concerning the establishment of the system stipulated in Article 100, Paragraph 1 and Paragraph 3 of the Enforcement Regulations of the Companies Act, which is required to ensure the appropriateness of a corporate group consisting of joint-stock companies and their subsidiaries' operations (internal control system).
 - c. In addition, the Board of Corporate Auditors monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits; received reports from the Accounting Auditors on the performance of their duties, and sought explanations whenever necessary. Furthermore, the Board of Corporate Auditors received notice from the Accounting Auditor that the "System for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Company Accounting Regulations) is established in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council; October 28, 2005) and other standards, and sought explanations whenever necessary.

Based on the above method, the Board of Corporate Auditors examined the business report and the supporting schedules for the current fiscal year, the non-consolidated financial statements (balance sheet, statements of income, statement of changes in net assets, and notes to financial statements), the supporting schedules, and the consolidated financial statements (balance sheet, statements of income, statement of net assets, and notes to financial statements) for the current fiscal year.

2. Audit Results

- (1) Audit results of Business Report and Others
 - a. The Board of Corporate Auditors acknowledges that the business report and the supporting schedules fairly present the Company's conditions in accordance with laws, regulations and the Articles of Incorporation.
 - b. With regard to the performance of duties by Directors, the Board of Corporate Auditors finds no significant evidence of wrongful acts, nor violations of laws, regulations, or the Articles of Incorporation.
 - c. The Board of Corporate Auditors acknowledges that the content of resolutions by the Board of Directors concerning the internal control system is appropriate. In addition, the Board finds no matters on which to remark with regard to the performance of duties by Directors regarding the internal control system.
- (2) Audit results on the Non-consolidated Financial Statements and the Supporting Schedules
The Board of Corporate Auditors acknowledges that the audit method of the Accounting Auditor, KPMG AZSA LLC, and the results thereof are appropriate.
- (3) Audit results of Consolidated Financial Statements
The Board of Corporate Auditors acknowledges that the audit method of the Accounting Auditor, KPMG AZSA LLC, and the results thereof are appropriate.

May 12, 2017

Board of Auditors
Aoyama Trading Co., Ltd.

| | | |
|----------------------------------|------------------|--------|
| Corporate Auditor (full time) | Tomokazu Osako | (Seal) |
| Outside Corporate Auditor | Hiroshi Ogi | (Seal) |
| Outside Corporate Auditor | Kiyoshi Takegawa | (Seal) |
| Outside Corporate Auditor | Toru Watanabe | (Seal) |

Reference Document for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Retained Earnings

We recognize that returning profits to shareholders is an important management issue, and pay dividends with a targeted consolidated total return ratio of 130% and purchase treasury shares during the period of our medium-term management plan (fiscal year ended March 2016 to fiscal year ending March 2018), aiming to return further profits.

<Our policy for returning profits to shareholders>

1) Dividend policy

- We target a consolidated dividend payout ratio of 70%.

- We pay 100 yen per share as an ordinary dividend (50 yen for an interim dividend and 50 yen for the year-end dividend), which is a stable dividend, and in case the dividend calculated based on the targeted dividend payout ratio stated above exceeds 100 yen, we pay the difference as a special dividend at the fiscal year-end as a dividend linked to performance. However, the Company may consider the amount of ordinary dividend in case a capital policy is implemented that affects earnings per share including capital increase and stock split.

2) Policy on purchase of treasury shares

- Purchases of treasury shares will be implemented targeting the amount calculated by excluding the total amount of dividends from 130% of profit attributable to owners of parent.

In accordance with the dividend policy, with respect to the year-end dividend for the current year, as a result of our calculations based on business performance in the current year, we plan to pay 50 yen per share as an ordinary dividend and 65 yen per share as a special dividend, a total of 115 yen per share. We paid 50 yen per share as an interim dividend; therefore the annual dividend per share, including the interim dividend is 165 yen per share.

1. Matters regarding the year-end dividend

(1) Type of dividend property

Cash

(2) Allocation of dividends and total amount of dividends

105 yen per common stock of the Company

Allocation

| | |
|-------------------|--------|
| Ordinary dividend | 50 yen |
|-------------------|--------|

| | |
|------------------|--------|
| Special dividend | 65 yen |
|------------------|--------|

| | |
|-----------------|-------------------|
| Total dividends | 5,996,366,110 yen |
|-----------------|-------------------|

(3) Effective date on which dividends will be disbursed from retained earnings

June 30, 2017

Proposal No. 2: Election of Seven (7) Directors

The terms of office of the seven (7) Company Directors, Shozo Miyamae, Hiroaki Miyamae, Osamu Aoyama, Makoto Miyatake, Yoshiyuki Matsukawa, Shinji Okano, and Seishi Uchibayashi, will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company requests the election of seven (7) Directors.

The candidate for Directors is as follows.

The candidates for Directors have been selected in consultation with the Nomination Advisory Committee.

*The Nomination Advisory Committee has been established to deliberate and verify personnel matters concerning Directors and Corporate Auditors in order to ensure the objectivity and transparency of the Company's management. The Committee provides the Board of Directors with recommendations on proposals concerning the appointment or dismissal of Directors and Corporate Auditors to be submitted to the General Meeting of Shareholders. The Committee is chaired by an Independent Outside Director and consists of a total of five members, including three other Directors (excluding Representative Directors) and an Outside Director

| Number | Name (Date of birth) | Brief profile and position at the Company (Significant concurrent positions) | Number of the C o m p a n y ' s shares owned |
|--------|----------------------------------|---|--|
| 1 | Shozo Miyamae (Feb 26 1945) | <p>May 1964 Joined Aoyama Trading Co., Ltd.</p> <p>Jun. 1977 Director, Aoyama Trading Co., Ltd.</p> <p>May 1982 Managing Executive Director and General Manager of the Purchasing Dept. No. 2, Aoyama Trading Co., Ltd.</p> <p>May 1987 Managing Executive Director and General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd.</p> <p>Dec. 1987 Senior Director and General Manager of the Purchasing Div., Aoyama Trading Co., Ltd.</p> <p>Jun. 1997 President and General Manager of the General Planning and Policy Dept., Aoyama Trading Co., Ltd.</p> <p>Feb. 2003 President, Aoyama Trading Co., Ltd.</p> <p>Jun. 2005 Vice Chairman of the Board, Aoyama Trading Co., Ltd.</p> <p>Jun. 2009 Chairman of the Board, Aoyama Trading Co., Ltd. (incumbent)</p> <p>Significant concurrent position President, Aoyama Capital Co., Ltd.</p> | 284,072 shares |
| 2 | Hiroaki Miyamae (Sep 14 1942) | <p>May 1964 Joined Aoyama Trading Co., Ltd.</p> <p>May 1974 Director, Aoyama Trading Co., Ltd.</p> <p>May 1982 Executive Managing Director and General Manager of the Sales Dept., Aoyama Trading Co., Ltd.</p> <p>Dec. 1987 Senior Director and General Manager of the Marketing and Sales Div., Aoyama Trading Co., Ltd.</p> <p>Jun. 1997 Vice President and General Manager of the Marketing and Sales Div., Aoyama Trading Co., Ltd.</p> | 413,735 shares |

| Number | Name (Date of birth) | Brief profile and position at the Company (Significant concurrent positions) | Number of the Company's shares owned |
|--------|---------------------------------|--|--|
| | | <p>Oct. 2001 Vice President, Aoyama Trading Co., Ltd.</p> <p>Jun. 2005 Vice Chairman of the Board, Aoyama Trading Co., Ltd. (incumbent)</p> <p>Significant concurrent position Director, Blue Rivers Co., Ltd.</p> | |
| 3 | Osamu Aoyama (Mar 1 1959) | <p>Apr. 1981 Joined Aoyama Trading Co., Ltd.</p> <p>Dec. 1987 General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd.</p> <p>Jun. 1988 Director and General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd.</p> <p>Jun. 1989 Director and Vice Chief General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd.</p> <p>Jun. 1991 Managing Executive Director and Vice Chief General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd.</p> <p>Jun. 1997 Senior Director, General Manager of the Purchasing Div., and Assistant General Manager of the General Planning and Policy Dept., Aoyama Trading Co., Ltd.</p> <p>Oct. 2001 Senior Director and General Manager of the Suit Business Dept., Aoyama Trading Co., Ltd.</p> <p>Feb. 2003 Senior Director and General Manager of the Marketing and Sales Div., Aoyama Trading Co., Ltd.</p> <p>Jun. 2005 President and CEO, Aoyama Trading Co., Ltd. (incumbent)</p> <p>Significant concurrent position President, Eagle Retailing Corporation Representative Director, Aoyama Bussan, Ltd. Director, Aoyama Capital Co., Ltd. Director, Seigo Co., Ltd. Director, MDS Co., Ltd. Director, Eisho Co., Ltd. Director, glob Co., Ltd.</p> | 1,661,665 syares |
| 4 | Makoto Miyatake (Dec 9 1948) | <p>May 1997 Branch Manager, Fuji Bank, Limited (now Mizuho Financial Group)</p> <p>Oct. 1999 Vice Chief General Manager of the Hiring Management Dept., Aoyama Trading Co., Ltd.</p> <p>Jun. 2001 Head of the Office of President, Aoyama Trading Co., Ltd.</p> <p>Jun. 2003 Director and Head of the Office of President,</p> | 12,500 shares |

| Number | Name (Date of birth) | Brief profile and position at the Company (Significant concurrent positions) | | Number of the Company's shares owned |
|--------|--------------------------------------|--|---|--|
| | | Dec. 2004 | Aoyama Trading Co., Ltd. Director, General Manager of the Management Dept., and Head of the Office of President, Aoyama Trading Co., Ltd. | |
| | | Jun. 2005 | Director, Managing Executive Officer, General Manager of the Planning and Administration Div., and General Manager of the Total Planning Dept., Aoyama Trading Co., Ltd. | |
| | | Jun. 2007 | Director, Senior Managing Executive Officer, and General Manager of the Planning and Administration Div., Aoyama Trading Co., Ltd. | |
| | | Jun. 2009 | Senior Director, Senior Managing Executive Officer, and General Manager of the Planning and Administration Div., Aoyama Trading Co., Ltd. | |
| | | Apr. 2011 | Senior Director, Senior Managing Executive Officer, General Manager of the Planning and Administration Div., and General Manager of the Casual Wear/Reuse Business Div., Aoyama Trading Co., Ltd. | |
| | | May 2013 | Senior Director, Senior Managing Executive Officer, and General Manager of the Planning and Administration Div., Aoyama Trading Co., Ltd. | |
| | | Apr. 2015 | Vice President, Executive Vice President, and General Manager of the Planning and Administration Div., Aoyama Trading Co., Ltd. (incumbent) | |
| | | Significant concurrent positions Director, MDS Co., Ltd. Director, Eisho Co., Ltd. Corporate Auditor, Eagle Retailing Corporation Corporate Auditor, FUKURYO Co., Ltd. Director, Minit Asia Pacific Co., Ltd. | | |
| 5 | Yoshiyuki Matsukawa (Dec 10 1958) | Feb. 1982 | Joined Aoyama Trading Co., Ltd. | |
| | | May 2001 | Director, Aoyama Capital Co., Ltd. (loaned staff) | 3,100 shares |
| | | May 2005 | Retired from Director, Aoyama Capital (loaned staff) | |

| Number | Name (Date of birth) | Brief profile and position at the Company (Significant concurrent positions) | Number of the Company's shares owned |
|--------|-------------------------------|--|--|
| | | <p>Jun. 2005 Executive Officer, General Manager of the Marketing and Sales Div., and General Manager of the Planning Dept., Aoyama Trading Co., Ltd.</p> <p>Apr. 2006 Executive Officer and General Manager of the Marketing and Sales Div., Aoyama Trading Co., Ltd.</p> <p>Jun. 2009 Director, Executive Officer, and General Manager of the Marketing and Sales Div., Aoyama Trading Co., Ltd.</p> <p>Jun. 2013 Director, Managing Executive Officer, and General Manager of the Marketing and Sales Div., Aoyama Trading Co., Ltd. (incumbent)</p> <p>Significant concurrent position Director, Blue Rivers Co., Ltd.</p> | |
| 6 | Shinji Okano (Feb 18 1962) | <p>Mar. 1984 Joined Aoyama Trading Co., Ltd.</p> <p>Jun. 2005 Executive Officer, General Manager of the Purchasing Div., and General Manager of the Purchasing Dept. No. 2, Aoyama Trading Co., Ltd.</p> <p>Jun. 2008 Executive Officer and General Manager of the Purchasing Div., Aoyama Trading Co., Ltd.</p> <p>Jun. 2009 Director, Executive Officer, and General Manager of the Purchasing Div., Aoyama Trading Co., Ltd.</p> <p>May 2013 Director, Executive Officer, General Manager of the Purchasing Div., and General Manager of the Casual Wear/Reuse Business Div., Aoyama Trading Co., Ltd.</p> <p>Jun. 2013 Director, Managing Executive Officer, General Manager of the Purchasing Div., and General Manager of the Casual Wear/Reuse Business Div., Aoyama Trading Co., Ltd. (incumbent)</p> <p>Significant concurrent position Director, FUKURYO Co., Ltd.</p> | 5,400 shares |

| Number | Name (Date of birth) | Brief profile and position at the Company (Significant concurrent positions) | Number of the C o m p a n y ' s s h a r e s o w n e d |
|--------|-------------------------------------|--|---|
| 7 | Seishi Uchibayashi (May 12 1949) | <p>Apr. 1976 Osaka District Court Judge Assistant Judge</p> <p>Apr. 1979 Matsuyama Local Court Judge</p> <p>Mar. 1981 Retired from the bench</p> <p>May 1981 Practicing lawyer</p> <p>Jun. 2001 Outside Corporate Auditor, Aoyama Trading Co., Ltd.</p> <p>Jun. 2013 Outside Director, Aoyama Trading Co., Ltd. (incumbent)</p> <p>Significant concurrent position Director, Yasuhara Chemical Co., Ltd.</p> | 5,500 shares |

(Notes) 1. The Company has business relationships, such as office leasing, with Seigo Co., Ltd. and Eagle Retailing Corporation, of which Mr. Osamu Aoyama, one of the above candidates, concurrently holds the position of Director.

2. There are no special conflicts of interest between the candidate and the Company.

3. Mr. Seishi Uchibayashi is a candidate for Outside Director. He is registered as an Independent Officer with the Tokyo Stock Exchange (TSE) since he meets the TSE's independence criteria for outside directors as well as the Company's independence standard for appointing outside directors.

<Independence standard for appointing outside directors>

(1) The outside director has never worked for our Group.

(2) The outside director's spouse or any relative within the second degree of relationship has never worked for our Group.

(3) The outside director has never been affiliated with any of the following organizations that have relationships with the Company.

i. Organizations that are major shareholders

ii. Major banks or securities companies

iii. Major accounting auditors, business consultants, law firms, etc.

iv. Major suppliers and other business partners that have business relationships with the Company

v. Companies and organizations of which the Company is a major business client.

(4) The outside director's spouse or any relative within the second degree of relationship has never worked for any of the organizations listed in the preceding paragraph (3).

4. Special remarks regarding the candidate for Outside Directors are as follows.

(1) The Company believes that Mr. Seishi Uchibayashi is qualified for the position and will be able to audit and supervise the Company's management from an objective perspective based on laws and regulations because he has ample experience and enormous expertise as a lawyer.

While Mr. Uchibayashi has never been involved in any kind of business management, other than holding the positions of Outside Director or Outside Corporate Auditor, the Company believes that he will be able to adequately perform the duties of an Outside Director for the above-mentioned reasons.

Upon the conclusion of this General Meeting of Shareholders, Mr. Uchibayashi will have held the position of Outside Director for four (4) years

(2) No corresponding item existed regarding the records of violation of the Articles of Incorporation or other inappropriate actions by the Company.

(3) Regarding the candidates' service over the past five years as Director, Executive Officer, or Auditor of other companies, no corresponding item existed regarding records of violations of Articles of Incorporation or other inappropriate actions by these companies during the candidates' term of office therein.

(4) Article 28 of the Articles of Incorporation of the Company stipulates that the Company may enter into an agreements with Outside Directors to limit liability due to negligence in performing their duties in order to enable them to do their utmost. Accordingly, the Company concluded a limitation of liability agreement with Mr. Uchibayashi. The maximum amount of liability under the agreement is the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act.

Proposal No. 3: Election of One (1) Corporate Auditor

The terms of office of Corporate Auditor Messrs. Toru Watanabe will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company requests the election of one (1) Corporate Auditor.

The resolution of this agenda item has obtained the consent of the Board of Corporate Auditor.

The candidate for Corporate Auditor is as follows.

| Name (Date of birth) | Brief profile and position at the Company (Significant concurrent positions) | Number of the C o m p a n y ' s shares owned |
|-------------------------------|---|--|
| Toru Watanabe (Feb 2 1966) | <p>Mar. 1993 Completed legal apprenticeship</p> <p>Apr. 1993 Registered with the Osaka Bar Association</p> <p>Joined Kitahama Partners</p> <p>Jan. 1998 Partner, Kitahama Partners (incumbent)</p> <p>Jun. 2013 Corporate Auditor, the Company (incumbent)</p> <p>Significant concurrent position</p> <p>Outside Director, SHO-BI Corporation</p> | - shares |

(Notes) 1. There are no special conflicts of interest between candidate and the Company.

2. Toru Watanabe is a candidate for Outside Auditor, and he is registered as an Independent Officer with the Tokyo Stock Exchange (TSE) since he meets the TSE's independence criteria for outside directors as well as the Company's independence standard for appointing outside directors
- Both candidates are registered as Independent Officers with the Tokyo Stock Exchange.

<Independence standard for appointing outside directors>

- (1) The outside director has never worked for our Group.
- (2) The outside director's spouse or any relative within the second degree of relationship has never worked for our Group.
- (3) The outside director has never been affiliated with any of the following organizations that have relationships with the Company.
- Organizations that are major shareholders
 - Major banks or securities companies
 - Major accounting auditors, business consultants, law firms, etc.
 - Major suppliers and other business partners that have business relationships with the Company
 - Companies and organizations of which the Company is a major business client.
- (4) The outside director's spouse or any relative within the second degree of relationship has never worked for any of the organizations listed in the preceding paragraph (3).
3. Special remarks regarding the candidate for Outside Auditor are as follows.

- (1) The Company believes that Mr. Toru Watanabe is qualified for the position and will be able to perform audits that will determine if operations are appropriate and in compliance with the law because he has a wealth of experience as a lawyer, is versed in corporate legal affairs, and has the superior insight needed to oversee corporate management.

While Mr. Watanabe has never been involved in any kind of business management other than holding the position of an Outside Corporate Auditor, the Company believes that he will be able to adequately perform the duties of an Outside Auditor for the above-mentioned.

The term of office of Mr. Takegawa as Outside Auditor, will have been eight (4) years at the conclusion of this General Meeting of Shareholders.

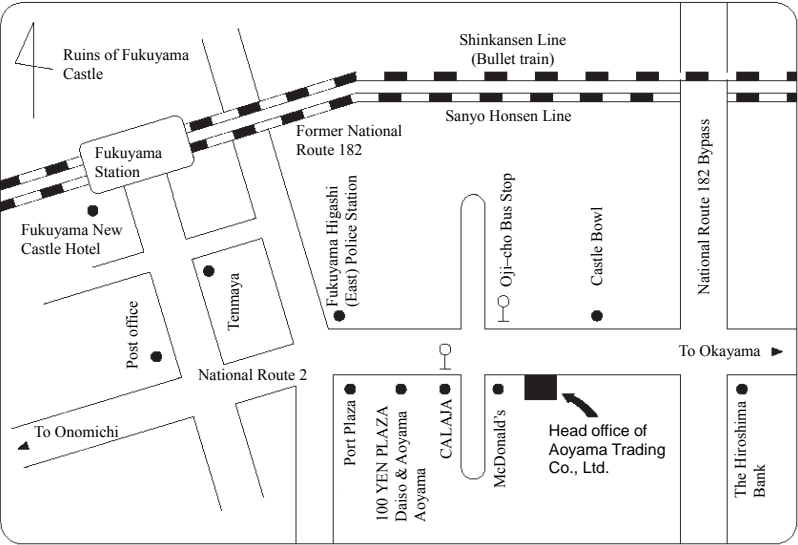
- (2) No corresponding item existed regarding the records of violation of the Articles of Incorporation or other inappropriate actions by the Company.
- (3) Regarding the candidates' service over the past five years as Director, Executive Officer, or Auditor of other companies, no corresponding item existed regarding records of violations of Articles of Incorporation or other inappropriate actions by these companies during the candidates' term of office therein.

(4) Agreement for limitation of liability with Outside Auditor

Article 36 of the Articles of Incorporation of the Company stipulates that the Company may enter into an agreement to limit the liability of an Outside Auditor due to negligence in the performance of duties, in order that the Auditor can play an appropriate role. Accordingly, the Company concluded an agreement on limitation of liability with candidates for Outside Auditors and the maximum amount of liability under the agreement is the minimum amount set forth in Article 427, Paragraph 1 of the Companies Act.

(Map to the venue of the General Meeting of Shareholders)

Venue 4F, Meeting Room of Head Office,
Aoyama Trading Co., Ltd.
1-3-5 Oji-cho, Fukuyama-shi, Hiroshima
Phone: 084-920-0050



◎ Public Transportation 2 km from Fukuyama Station on JR Sanyo
Shinkansen Line and Sanyo Honsen Line
In front of Oji-cho Bus Stop of Chugoku Bus and
Ikasa Bus